

THE NEW FEDERAL FARM BILL

HEARING BEFORE THE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS
FIRST SESSION

AUGUST 20, 2001

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry



Available via the World Wide Web: <http://www.agriculture.senate.gov>

U.S. GOVERNMENT PRINTING OFFICE

85-326 PDF

WASHINGTON : 2003

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2250 Mail: Stop SSOP, Washington, DC 20402-0001

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

TOM HARKIN, Iowa, *Chairman*

PATRICK J. LEAHY, Vermont	RICHARD G. LUGAR, Indiana
KENT CONRAD, North Dakota	JESSE HELMS, North Carolina
THOMAS A. DASCHLE, South Dakota	THAD COCHRAN, Mississippi
MAX BAUCUS, Montana	MITCH McCONNELL, Kentucky
BLANCHE L. LINCOLN, Arkansas	PAT ROBERTS, Kansas
ZELL MILLER, Georgia	PETER G. FITZGERALD, Illinois
DEBBIE A. STABENOW, Michigan	CRAIG THOMAS, Wyoming
BEN NELSON, Nebraska	WAYNE ALLARD, Colorado
MARK DAYTON, Minnesota	TIM HUTCHINSON, Arkansas
PAUL DAVID WELLSTONE, Minnesota	MICHEAL D. CRAPO, Idaho

MARK HALVERSON, *Staff Director/Chief Counsel*
DAVID L. JOHNSON, *Chief Counsel for the Minority*
ROBERT E. STURM, *Chief Clerk*
KEITH LUSE, *Staff Director for the Minority*

CONTENTS

	Page
HEARING(S):	
The New Federal Farm Bill	01

Monday, August 20, 2001

STATEMENTS PRESENTED BY SENATORS

Dayton, Hon. Mark, a U.S. Senator from Minnesota	01
Gutknecht, Hon. Gil, a Representative in Congress from Minnesota	01
Wellstone, Hon. Paul, a U.S. Senator from Minnesota	02

WITNESSES

Adams, Nancy, Le Roy, Minnesota	24
Ault, Dwight, Austin, Minnesota	42
Austin, Robert M., New Prague, Minnesota	43
Behounek, Ronald, Hayfield, Minnesota	40
Biederman, Bruce, Grafton, Iowa	49
Biel, Eunice, Dairy Farmer, Harmony, Minnesota	22
Bowman, Bert, Eden Prairie, Minnesota	48
Collins, Barbara J., Legal Services Advocacy Project, St. Paul, Minnesota	19
Dale, Roger, Hanley Falls, Minnesota	44
Daley, Janice, Grain Farmer, Lewiston, Minnesota	28
Durst, Ron, on behalf of Associated Milk Producers, Inc.	32
Everett, Les, Water Resources Center, University of Minnesota	37
Green, Larry, Fulda, Minnesota	43
Hansen, Rick, Inver Grove Heights, Minnesota	39
Hanson, Amber, Racine, Minnesota	18
Hanson, Brian, Racine, Minnesota	50
Harrington, Bishop Bernard J.,	03
Henning, Tim, Lismore, Minnesota	49
Hoscheit, Tom, Caledonia, Minnesota	34
Joachim, Gary, Claremont, Minnesota, on behalf of Minnesota Soybean Growers Association	47
Ladd, David, on behalf of Farm Credit Services	04
Landkamer, Colleen, Blue Earth County Commissioner, Mankato, Minnesota	18
Larson, Larry, Sargeant, Minnesota	38
Mandelko, Delbert, President, Minnesota Milk Producers Association	06
Meter, Ken, Crossroads Resource Center, Minneapolis, Minnesota	10
McGrath, Mike, on behalf of the Minnesota Project	07
McLaughlin, Marcie, on behalf of America's State Rural Development Council	08
McMillin, Bill, Dairy Farmer, Kellog, Minnesota	51
Monson, John, State Executive Director, Minnesota Farm Service Agency, St. Paul, Minnesota	14
Mueller, Mike, Winthrop, Minnesota	40
Nelson, Rod, Chatfield, Minnesota	53
Noble, Linda, Organic Dairy Farmer, Kenyon, Minnesota	21
Noble, Mike, Crop and Livestock Producer, Kenyon, Minnesota	31
Ormsby, Victor, Winona, Minnesota	33
Otremba, Mary Ellen, State Representative, State of Minnesota	15
Paul, Gene, Faribault County, Delavan, Minnesota	20

IV

	Page
Petersen, Chris C., Vice President, Iowa Farmers Union, Clear Lake, Iowa	45
Peterson, Sever, Eden Prairie, Minnesota	11
Predmore, Larry, Rochester, Minnesota	50
Prigge, Walt, Byron, Minnesota	45
Purdhim, Rev. Chuck, (retired), United Methodist Church, Brooklyn Center, Minnesota	25
Redig, Lorraine, Winona, Minnesota	34
Reiman, Lewis, Utica, Minnesota	27
Riddle, Jim, Winona, Minnesota	23
Ristau, Kevin, Jobs Now Coalition, St. Paul, Minnesota	26
Ritchie, Niel, Institute for Agriculture and Trade Policy, Minneapolis, Minnesota	27
Schacht, Al, Zumbro Falls, Minnesota	52
Scheevel, Kenric, State Senator, State of Minnesota	16
Scheidecker, Kevin, Fillmore Soil and Water Conservation District, Preston, Minnesota	30
Specht, Phil, Dairy Farmer, McGregor, Iowa	25
Speltz, Keith, Dairy Farmer, Southeast Minnesota	36
Storm, Sister Kathleen, Mankato, Minnesota	29
Strom, Donovan, Fountain, Minnesota	48
Tumbleson, Gerald, Sherburn, Minnesota	37
Upton, Barbara, Fountain, Minnesota	41
Winter, Ted, State Representative, State of Minnesota	14
Zimmerman, Margaret, Waseca, Minnesota	36

APPENDIX

PREPARED STATEMENTS:

Collins, Barbara J.	81
Daley, Janice	96
Everett, Les	111
Hansen, Rick	118
Hanson, Amber	80
Harrington, Bishop Bernard J.	58
Joachim, Gary	135
Ladd, David	61
Mandelko, Delbert	64
McGrath, Mike	66
McLaughlin, Marcie	70
McMillin, Bill	140
Meter, Ken	74
Mueller, Mike	124
Noble, Linda	84
Noble, Mike	105
Petersen, Chris C.	127
Peterson, Sever	78
Redig, Lorraine	109
Riddle, Jim	86
Ristau, Kevin	91
Ritchie, Niel,	93
Schacht, Al	141
Scheidecker, Kevin	100
Storm, Sister Kathleen	99
Zimmerman, Margaret	110

DOCUMENT(S) SUBMITTED FOR THE RECORD:

AgStar Financial Services, ACA	173
Beckel, John F.	172
Carnes, Marilyn	151
Children's Defense Fund - Minnesota; Jim Koppel	182
Encouraging Family Farms: a Policy Proposal; Joe Malacek	164
Letter to Senator Mark Dayton by Gyles W. Randall	176
Levins, Dick	154
Minnesota Association of Soil and Water Conservation Districts; Richard Zupp	155
Minnesota Food Share; Barbara Thell	162
Petition Supporting a New Farm Bill	148

	Page
DOCUMENT(S) SUBMITTED FOR THE RECORD—CONTINUED	
Present-Day Agriculture in Southern Minnesota -- Is it Sustainable? by Gyles W. Randall	178
Oestreich, Clifford	161
Wood, Bob and Eloda	159

THE NEW FEDERAL FARM BILL FIELD HEARING FROM STEWARTVILLE, MINNESOTA

MONDAY, AUGUST 20, 2001

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The committee met, pursuant to notice, at 1 p.m., at the American Legion, 1100 Second Avenue, N.W., Stewartville, Minnesota, Hon. Mark Dayton, presiding.

Present or submitting a statement: Senators Dayton and Wellstone.

STATEMENT OF HON. MARK DAYTON, A U.S. SENATOR FROM MINNESOTA

Senator DAYTON. I am going to gavel the hearing of the Senate Agriculture Committee officially to order. I am Mark Dayton, Senator, and I am chairing this hearing. Our format is we have Congressman Gutknecht, Senator Wellstone, and myself here. We have some distinguished members of the Minnesota Legislature. I would like them to introduce each other in a little bit.

We will give a couple of minutes for those who may still be arriving to come in. We have a very distinguished panel of seven individuals whom we are going to take formal testimony from. We have asked them to limit their remarks to approximately 3 minutes apiece and submit any additional testimony for the record, which they will be able to do. Then we will open it right up to any of you who wish to testify or speak for up to 2 minutes apiece. In Worthington a week ago, we had 45 individuals to testify. We stayed a half-hour longer. We were happy to do so, but we really need everybody to stick to that kind of time limit so we can have everybody who wants to be heard have the opportunity to speak today.

With that I am going to forego my opening remarks and turn it over in the spirit of bipartisanship and bicameralism to Representative Gil Gutknecht. We are really, really glad you are here today. Thank you very much.

Mark Kennedy joined us in Worthington, and these are issue where we all worked together and agreed to have the Minnesota delegation on the House and Senate Agricultural Committee, and our job is to work for all of you.

STATEMENT OF HON. GIL GUTKNECHT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. GUTKNECHT. Thank you. Well, I am going to be very brief. I want to thank Senators Wellstone and Dayton for putting this

meeting together. It is the first time I have actually sat on the same side of the table at a Senate hearing. This is an official hearing. We have a stenographer here. It is easy sometimes for people who live in cities or even in suburbs to forget how important agriculture is to our Minnesota economy. It really is the backbone of Minnesota's economy, and the last 3 or 4 years have been very, very difficult. We have recognized that in Washington with emergency payments. Most of us recognize that that is not the real answer. What most of you want is a decent price from the marketplace. We need to work together in Washington to come up with the next Farm bill that allows farmers to prosper during good times and survive during some of those difficult times. We are going to have some disagreements in Washington between Republicans and Democrats and between the House and the Senate, but the one thing we do agree on is the overall goal, and that is, we want an agricultural economy that allows young people to do something that we sometimes take for granted, and that is, to go out there and take a chance at it. We simply can't afford to lose an entire generation of young farmers.

I thank you for holding this hearing. Looking at the distinguished list of people who are going to be testifying, I look forward to the testimony today to begin. Thank you for coming.

Senator DAYTON. Thank you, Congressman. Now Senator Wellstone is joined with me on the Senate agriculture committee.

**STATEMENT OF HON. PAUL WELLSTONE, A U.S. SENATOR
FROM MINNESOTA**

Senator WELLSTONE. Thank you, Mark. I too will be very brief. I want to say three things. First of all, I want to thank all of you for being here. I see a lot of people that I have known over the years. Quite often we have known each other through farm struggles. I thank you for being here today because we are going to be writing the bill this fall. I believe all the way from my head to my toe but, most importantly of all, Bishop, in my heart and my soul that we need a new farm bill. We need a decent price for our independent producers. We need to focus on land conservation and the land stewardship and the environment. We need to have antitrust action. We need to go after these conglomerates. We need to have some competition. We need to have an energy section that focuses on renewables and biodiesel and clean fuels, small technology and clean technology and small business. We need to do it all now. We don't have that much time left if we want to have a family farm structure of agriculture.

We have been through shakeouts before. It is time to change the course of policy. Your testimony today at this official hearing is not symbolic. Nobody is here just to make it symbolic. It is very important.

Finally, when I saw Bishop Harrington walk in, I wanted to say this, that it is OK. The other day I had a chance to visit with Bishop Locker, Raymond Locker, who is a real hero to me. I have loved this man for a long, long time. He is struggling with cancer. Talk about a bishop who has always been there for farmers and always been there for justice. Since I consider this to be a justice gathering, I would like everyone, just for 20 seconds, just to say a

prayer for Bishop Locker because he has always, in a very prayerful religious way, always been there for us. If we could do that.

(Whereupon a silent prayer was held.)

Senator DAYTON. Thank you, Paul.

Format again, we will start, Bishop, if we may, with you and ask you—first we will move right around the panel sequentially this way, and then we have a few members of the Minnesota Legislature here. After the panel has spoken, I would like to invite each one of you to speak first at the microphones, if you would, and then we will just ask you to line up if that works, and everybody is going to speak. We will make other arrangements; we will take comments of each side. One caution I would make based on the hearing we had in Worthington—which was excellent—it was different points of view, as it should be, and that everybody in the audience should treat the presenter respectfully. If you don't agree, you can withhold the applause. Please, no expressions of personal attacks of any kind. Thank you very much.

Bishop, thank you for joining us.

STATEMENT OF BISHOP BERNARD J. HARRINGTON

Bishop HARRINGTON. Good afternoon. I am Bishop Bernard J. Harrington of the Roman Catholic Archdiocese of Winona. This diocese covers the 27 counties of Minnesota. I am pleased to have this opportunity to submit my comments on behalf of the Minnesota Catholic Conference and in the name of the Catholic bishops of the Archdiocese of Minnesota. I want to thank you, Senator Wellstone, for your very kind words about Bishop Locker in these very difficult times for him. I appreciate that.

Our perspective is based on our belief that in the dignity of all people as they are created in God's image, for people to live a dignified life they must have an adequate and safe food supply. For us food is just not another commodity in the grand economic scheme. It is essential for life itself and as such should be viewed as the common good and not to be controlled by a few corporations or by the Government. For us food is a moral statement. How food is produced is also important since we need not only a bountiful harvest but a safe and sustainable one as well.

Care for the land. It is as critical as what it produces. These underlying principles, human dignity, human rights, the search for a common good, are what drive our policy priorities. In our view, the basic goal of a food system is to ensure an adequate supply of nutritious food in an environmentally responsible way to meet domestic and international needs and to ensure the social health of our rural communities. The bishops believe that such a farm system will generate Government policies that will give priority to small and moderate-size family farms and a widespread ownership of farmland.

In past years we have heard politicians speak about aiding the small and moderate-size family farms. Each time the Federal Farm bill will favor large farms and discriminate against the small family farm. As you formulate the Farm bill from your hearings on this issue, we urge you to be guided by principles drawn by the United States Catholic Conference of Bishops 1986 statement: Economic

justice for all. I won't read that statement; I will just submit it for our perusal later on.

We are concerned that the U.S. agricultural policy does not adequately promote widespread ownership of farmland. In our judgment, current policies have resulted in a concentration of farmland which is detrimental to the interest of farming, to the vitality of the rural communities, and to the environment. This is a matter of policy choice, not economic inevitability. We believe that this concentration is a result of a farm policy that rewards high yields achieved by heavy use of chemical input over land stewardship and channels scarce research funds toward chemically and more recently biotechnologically based agriculture and away from sustainable and organic farm techniques.

The current system leads to a highly capitalizing farming operation and the concentration of farmland and ownership eliminating smaller yet still highly efficient producers. Furthermore, the phenomenon of vertical integration has siphoned off profits from the farmer and given them to companies that control the other link to the food systems, processors, packagers, marketers, and realtors. In fact, over the last couple of decades, the farmers' share of the agricultural dollar has remained flat while the cost of the production and the marketing share have increased.

Toward this end we offer you several general recommendations: create more mechanisms for beginning farmers to secure loans; shift a substantial portion of research funds away from the conventional chemically based and more modern biotechnic-based agricultural systems to research that uncovered sustainable farming practices; continue to analyze the current market system that appears to be vulnerable to manipulation by giant agribusiness companies.

In summary, these issues involve tremendous moral considerations. The ability to feed a nation and the world safely and sustainably, the long-term health of productive land and the survival of our rural social fabric all depend on this farm bill. I thank you for the opportunity of presenting the views of the Catholic bishops of Minnesota on these issues.

[The prepared statement of Bishop Harrington can be found in the appendix on page 58.]

Senator DAYTON. Thank you, Bishop. Thank you for your involvement and the involvement of the Catholic Bishops on this and other important economic justice issues. I would just say to you and any of our panelists that you are welcome to stay for the entire proceeding. We also understand if you have other commitments. If anyone needs to leave at any time, please do so with our gratitude.

Our next presenter is Mr. David Ladd, who is the manager of government relations for Agribank. Welcome, Mr. Ladd.

STATEMENT OF DAVID LADD, ON BEHALF OF FARM CREDIT SERVICES

Mr. LADD. Thank you, Mr. Chairman, members of the committee. My name is Dave Ladd, and I currently work for the Farm Credit bank that is known as Agribank. The Farm Credit Services would like to thank you for bringing the Senate Agriculture Committee to Minnesota. We appreciate you recognize the important role lenders play in rural America and welcome the opportunity to provide testi-

mony regarding the credit title of the upcoming Farm bill. A more detailed statement has been submitted for the record.

Over the past few months, you have heard from countless individuals and farm organizations with suggestions and recommendations for the next Farm bill. Although the Farm Credit System has a key interest in the entire Farm bill, we have today chosen to focus on proposals to strengthen the credit title. You cannot separate the important issue of affordable and accessible credit from the broader issues of commodity programs, conservation, and trade and rural development.

As you know, the Farm Credit System is a nationwide financial cooperative that lends to agriculture and rural America. Congress created the system in 1916 to provide American agriculture with a dependable source of credit. We are a privately held farmer-owned cooperative which serves a public good. Access to affordable credit is one of the primary issues facing agriculture. It is also an issue the Farm Credit System is uniquely qualified to address. For example, in a 2000 study release by the Minnesota Legislature to assess the dairy climate in that State, the issue of access to capital is identified as one of the most core challenges facing the dairy industry. Although dairy is a capital-intensive business, such concerns are indicative of the need for capital and rural America. This is particularly true among young beginning and minority farmers and ranchers as well as those seeking to modernize their operations.

What follows are several recommendations we believe Congress should consider in writing the credit title:

Increase the limit on Farm Service Agency guaranteed loans for any one individual from \$750,000 to \$1.5 million. The current limit is restrictive on many family farm operations, especially dairy and pork producers.

Increase FSA funding for interest rate buydowns on guaranteed loans to small, young, and beginning farmers. Raise the ceiling on low documentation FSA guaranteed loan applications from \$50,000 to \$150,000. In addition to the existing direct loan program, authorize a guaranteed lending program for on-farm storage.

Reduce the paperwork burden now associated with the assignment of USDA benefits and include the pork language to express the intent of Congress and designed to assist small, young, beginning farmers fully funded to meet the needs of all who fulfill eligibility criteria.

Mr. Chairman, it is critical that credit issues be addressed when Congress considers the next Farm bill. As a primary source of credit to farmers, the Farm Credit System is an integral part of our rural communities. However, far too often lenders are left out of the equation when issues affecting rural America are debated in the halls of Congress.

That is why we commend you for listening to the lender perspective and thank you for holding this hearing in Minnesota to discuss the issues facing our farmers in our rural communities. I would be happy to answer any questions.

[The prepared statement of Mr. Ladd can be found in the appendix on page 61.]

Senator DAYTON. Thank you, Mr. Ladd. That was excellent and succinct testimony. Thank you very much.

Next is Mr. Delbert Mandelko. He is president of the Minnesota Milk Producers. Welcome.

**STATEMENT OF DELBERT MANDELKO, PRESIDENT,
MINNESOTA MILK PRODUCERS ASSOCIATION**

Mr. MANDELKO. Senator Wellstone, Senator Dayton, and fellow producers, my name is Delbert Mandelko. I am a dairy producer from nearby Preston and the president of Minnesota Milk Producers Association. MMPA is the only statewide organization that exclusively represents dairy farmers. We have a membership of approximately 3,000 dairy producers. On behalf of our members, I wish to point out several issues that are crucial to producers.

First, we ask that Congress close the loopholes of import of products and restrict imports through quotas and tariffs on products such as milk protein concentrates and casein.

This is not a regional issue. Six years after the implementation of GATT, U.S. imports of MPC have risen more than 600 percent.

In the year 2000, U.S. imports of MPCs were equal to about 350 million pounds of U.S.-produced nonfat dry milk. In addition, imports of casein were equal to about 745 million pounds of U.S.-produced nonfat dry milk. The importation of these products displaces our domestic supply of milk.

It is the most serious problem facing U.S. dairy producers.

The major force driving down cheese prices in 2000 was illegal use of imported milk protein concentrate in many standard and processed cheese products.

On page 19 of the General Accounting Office for Dairy Products, it states that if milk protein concentrates are used in a cheese product, the product cannot bear the name of standardized product, for example, pasteurized process cheese slices, but if you look at the list of ingredients on the label of any processed cheese product, milk protein concentrate is an ingredient.

Milk protein concentrate has not been deemed a safe, legal food ingredient by the Federal Food and Drug Administration.

If it is being used illegally, why can't we put a stop to it?

Second, increase the enforcement of Federal standards for butterfat and solids nonfat content in fluid milk.

Congress should consider taking it a step further and raise the solids nonfat standards in fluid milk. This policy would provide a more nutritious, better-tasting fluid product to the customer.

Third, MMPA supports the continuation of a true milk price support program, where the price is set at today's level. The support price helps stabilize dairy prices and secures a reliable domestic supply of milk and dairy products for consumers. Any price support program should include a supply management program that treats all regions of the U.S. fairly.

Fourth, we ask that Congress consider the implementation of a national Johne's Program. We need to do more than just research and control the disease. We need a program that will help us eliminate this disease from the farms.

Last, MMPA is willing to openly debate and consider any specific proposal that may come forward as the Farm bill debate continues.

We believe it is important to treat all producers from all regions fairly. We do not want a system that helps producers in one region when it is at the expense of producers in another region.

Thank you for the opportunity to briefly express Minnesota Milk Producers' position toward Federal dairy policy.

[The prepared statement of Mr. Mandelko can be found in the appendix on page 64.]

Senator DAYTON. Thank you, Mr. Mandelko. As you know, I have introduced legislation regarding milk protein concentrate. We will be trying to attach that to the Senate agriculture bill which will be taken up this fall.

Senator DAYTON. Next we have Mr. Mike McGrath from the Minnesota Project in Lanesboro. Welcome.

STATEMENT OF MIKE McGRATH, ON BEHALF OF MINNESOTA PROJECT

Mr. McGRATH. Thank you, Senator. Senator Wellstone, Senator Dayton, Representative Gutknecht, I am here today to speak and to testify on behalf of the Minnesota Project, which is a member of the Sustainable Agriculture Coalition and the National Campaign for Sustainable Agriculture. I am here to testify in support of the Conservation Security Act which Senator Harkin and Senator Smith have before you in the Senate Ag Committee. The Conservation Security Act offers a fresh new approach to farm assistance that provides incentives to diversify a farm's land-use practices to enhance conservation benefits, and it does not provide incentives or disincentives to production. We realize that the Federal Government plays a very important role in assisting farmers through these continued times of low prices. Many believe that Government payments to farmers must be held accountable for the incentives or the disincentives that they provide. Many believe that a farm policy that provides billions of dollars in assistance must not serve to just enhance the growth of an industrial agriculture that ignores rural communities and the environment. It must offer a constructive return on investments to the taxpayers who foot the bill.

In the area where I live, I have a farm in the Root River Valley near Lanesboro. Last summer we had a 100-year flood. We watched millions of tons of soil wash down the Root River Valley and on down the Mississippi River. This year we witnessed—many of the fields that were completely destroyed and washed away have been rebuilt, and they are back in corn and beans, soybeans. We think that the incentives to plant these crops are so great that we are actually building fields to grow these crops in so that we can harvest the subsidy that the Government has provided.

We believe it is time for Federal farm assistance to provide stewardship incentives to working lands. The Conservation Security Act provides stewardship incentives that promote on-farm conservation practices that will enhance and protect soil and water and enhance and protect soil and water resources and wildlife habitat. We believe that is good for all Minnesotans regardless of your political beliefs.

Current conservation programs provide incentives to install practices, but there is little money to maintain these practices. Cost-

share funding programs like EQIP are very critical to helping farmers establish these practices, protect resources, but the added costs of maintaining these practices sometimes offer disincentives for financially strapped family farm operations. The Conservation Security Offer will allow farmers to voluntarily enroll their working land in conservation plans that provide for 5- and 10-year renewable contracts. These contracts will pay the farmer for environmental benefits generated from the practices that are installed, compensating him for the maintenance time and helping with any foregone revenues from the implementation of those practices.

We believe it is time to level the playing field here so that farm assistance is spread more equally among all farmers, not just those who produce specific commodity crops.

Finally, we believe that the new Farm bill should reward farmers who are already doing a good job. Many farmers already are practicing conservation on their farms, but there is no subsidy for them. The Conservation Security Act allows these farmers to enroll their existing conservation practices into a security plan. We believe that now is a historic opportunity for the Senate to pass a farm bill that is based on sensitive goals and realistic outcomes. As members of the Senate Ag Committee, you can show extraordinary leadership in making conservation the centerpiece of the next Farm bill. The Conservation Security Act is a good bill for Minnesota farmers, and it is a good bill for Minnesota's environment.

Thank you.

[The prepared statement of Mr. McGrath can be found in the appendix on page 66.]

Senator DAYTON. Thank you. We will be sure that it will be part of the Senate bill. I might just also quickly say in terms of our panelists, the selection process, we try to get a good cross-section of representation throughout the State. Many of the major farm organizations, representatives, and presidents testified at our Worthington hearing, the Farm Bureau, Farmer's Union, NFO, Pork Producers, Corn Growers, Soybean Association. We try to get a diversity of panelists through the two hearings. That is a brief explanation of our selection process.

Marcie McLaughlin, we are glad to have you here from Redwood Falls and from Rural Partners.

STATEMENT OF MARCIE McLAUGHLIN, ON BEHALF OF AMERICA'S STATE RURAL DEVELOPMENT COUNCIL

Ms. McLAUGHLIN. Senator Dayton, Senator Wellstone, Representative Gutknecht, members of the committee. I am pleased to be here today representing America's State Rural Development Council to provide you with some of our thoughts related to the Farm bill and other items related to rural America and Minnesota.

The first State Rural Development Council was accomplished over a decade ago to help the U.S. Department of Agriculture and Federal Government advance provisions of the Rural Development Policy Act of 1980 which called for greater coordination and the formulation and administration of rural development policies and programs. Today the State Rural Development Council operates in 40 States, and with the Washington-based National Rural Develop-

ment Council comprised of the National Rural Development Partnership.

Thank you both, and Representative Gutknecht, for the support of Minnesota Rural Partners and the National Rural Development of Partnership by cosponsoring the National Rural Development Act in the Senate. Thank you also for your continuing support to include NRDT in the appropriations bill and the rural development title for this Senate farm bill language. Minnesota has been involved in many areas that impact rural Minnesota. In our most recent event, Joint International Summit on Community and Rural Development and many areas that impact rural Minnesota and were held last month in Duluth. It is an example of how we can convene and stimulate discussions and actions.

We appreciate the presence of both staff members at this important event. Over 1,200 people from all over Minnesota, from 47 States, and 15 foreign countries were there, and many of those folks participated in an unscientific online survey regarding rural policy.

Three statements with the highest agreement in order are rural—from a survey rural areas must diversify economically if they are to survive in the long run; that agricultural policy must more fully recognize its linkages to rural development issues; and that Federal and State government must help local leadership build a community infrastructure that is needed for successful rural development.

As the Farm bill is rewritten, we encourage inclusion of each of these points. These can occur as we focus on what Minnesota Rural Partners is calling the five north stars. Energizing entrepreneurs. How do we stimulate new growth within rural areas? Managing the new agriculture. How do we not only take advantage of new ways of doing business within agriculture but also provide markets for those at our joint marketing to doing something sustainably—is a digital divide, and you are all aware of that need. Sustaining the landscape with the pressures that are put on land issues. Then boosting human capital. Providing that critical visible and invisible infrastructure within communities.

As Federal agencies work together for rural places, we will see coordination of programs authorized in several communities including the ag community.

Senator Wellstone, as you stated at the Farmfest last week, we are at the point where we need new rules. Who holds the center of communities? Where are those decisions made? Are they close to home or far from home? The past Farm bills were written for the reality of the time. Like many new realities for rural places in the United States, we need a new approach. No one congressional committee or administrative department has overall responsibilities for rural policy and rural programs' integration reinforce the needs for these new rules and policies.

Thank you for your time today.

[The prepared statement of Ms. McLaughlin can be found in the appendix on page 70.]

Senator DAYTON. Next we have Mr. Ken Meter with the Crossroads Resource Center in Minneapolis. Welcome, Ken.

**STATEMENT OF KEN METER, CROSSROADS RESOURCE
CENTER, MINNEAPOLIS, MINNESOTA**

Mr. METER. Senator Dayton, Senator Wellstone, and Representative Gutknecht, I really thank you for your invitation to speak today. The Crossroads Resource Center has worked alongside community-based groups since 1972. This winter we were asked by the Hiawatha Statute Project in Lanesboro to study the farm and food economy of southeast Minnesota. Our study began with a few simple questions. We wondered why in this region that produces \$1 billion worth of food each year, the town of Houston recently spent 2 years without a grocery store. We wondered why when 8,400 local farmers are struggling to make a living, local residents spend half a billion dollars each year buying food from outside the region. We wondered why farm families work two to three outside jobs to cover the costs of producing commodities.

After looking at the numbers, we discovered the local families lose \$800 million each year as they grow and buy food. It is a very conservative figure but a staggering total equal to 20 times the amount of the Federal farm subsidy that comes into the region each year. The fact that this region subsidized by the national economy will not be used by most farmers in this room. Nobody in America, to our knowledge, has measured such losses before at a regional level.

It would not have to be this way. The reasons food consumers are a formidable market—if local residents purchased only 15 percent of their food from local growers, that would generate as much income for farmers as all farm subsidies combined. Moreover, southeast Minnesota is not unusual. Similar stories could be told about most any rural region in the country. In many regions, in fact, the numbers might look even worse because southeast Minnesota's farmers have been and the farming with high years of soil conservation in the economy is more diverse here than many rural local, but it is humbling to realize how vast these issues are.

Our study was written with the understanding that we can only reverse these losses once we know what causes them. This is terribly important to have. Further, we can use these findings from one region to recast the farm debate in Washington. Policies should focus on rural communities as a whole, not simply on farmers. Policies should start with the premise that rural regions should subsidize the U.S. rather than the other way around.

Farmers go to the Federal level because there is water there. Having some weather with severe economic drought has faced farm families for 30 years. It is not enough to give farmers more water. We must also fix the buckets farmers use. We must build new economic structures that stop these leaks once and for all. This is not a time to quibble about whether farmers receive too much water. It is a time to ask is the water safe to drink, who ultimately gets the water, and how do we build buckets that do not leak.

I was extremely pleased to learn when I attended the farm hearing in Worthington on August 4 that farms are asking for the choice to leave the capital-intensive economy. I am also pleased to hear farmers in southeast Minnesota asking for a chance to build a parallel food economy, one that feeds people, one that protects soil and water, and one that builds wealth for rural residents.

These farmers are not asking for an income stream from the Federal well. They are asking for investments in rural communities. Further, they are asking the Federal Government to stop subsidizing economic systems that extract wealth. Once we make new investments, we will also need to evaluate results.

Tragically there is very little data available that shows rural communities how their local economies rise and fall. Given the massive unintended consequences of the Farm bill in 1996, including, of course, the \$30 billion that was required to support farms in 2000, it is the responsibility of the Federal Government not only to pass solid rural legislation but also to provide excellent data that allows rural communities to assess the impact of the next Farm bill on their communities.

Crossroads stands ready to help the Senate Agriculture Committee in any way to advance these goals.

Thank you.

Senator DAYTON. Thank you. Could you submit a copy of your study for the record? Thank you very much.

[The prepared statement of Mr. Meter can be found in the appendix on page 74.]

Senator DAYTON. Mr. Peterson, I see your display behind us. Enlighten us. Thank you for coming.

STATEMENT OF SEVER PETERSON, EDEN PRAIRIE, MINNESOTA

Mr. PETERSON. Thank you. Senator Wellstone, Senator Dayton, Representative Gutknecht. They say a picture is worth 1,000 words. We will get to that in a moment. Honored guests and fellow farmers, it is my pleasure to be here today. I would like to speak from my heart. I have submitted testimony, and I would like to summarize that, if I may.

I am a farmer in Eden Prairie, Minnesota. My family started farming there in 1984. We have raised vegetables. As you see, one of our markets is here behind us. We also market vegetables and export them to Canada from our farm. We have done that since that time a little over 100 years. We also raise corn and soybeans, and we have been livestock farmers.

I am of Vietnam vintage. When I left for Vietnam, my Dad wasn't well. We sold the livestock just 2 days before I left for Vietnam. I tell you, not a Christmas goes by that I don't think of that livestock. We bagged them on Christmas Eve.

I see some problems in production agriculture. The problem I feel that is huge for me is that I feel we are misguided. We farmers are misguided. Many of us are misguided. An example I would like to say is that when ethanol—when I speak to people who are producing ethanol and they feel that the raw product corn has to be a low price for them to make a profit in their ethanol, I feel that that may be misguided. Or when hog farmers are asking for lower soybean prices in order for them to make money on their hogs, that is misguided.

Wholesale and retail, we do wholesale and retail business on our farm. The corn that you see behind you on that stand, if I bought that from my farm and it is a separate business, it is called one of those niche markets or value added in the words of today, if you

will. I am here to tell you that there is a problem. If this market here would beat the price down to me at the farm level of the raw product, what for? What is the purpose? We need profits at the farm gate. Every farm does. I feel that we have been missing that. We need something dramatic that gives us profit for the raw product at the farm gate.

I feel there have been some failed solutions. I have used them as examples in my own life. I grew up, as I said, a livestock farmer. I am a member of the Pork Producers, I am a member of the Corn Growers, I am a member of the Soybean Growers, and probably all of them. I have never been a member of the Milk Producers. I have only helped my neighbors milk. One of the things I have heard is get rid of the inefficient and those that remain will be better off. Well, I don't believe that for a moment, get rid of the inefficient and the rest will be better off. I don't believe that for a moment. How about exporting our way to prosperity? Today I am here with three exchange students. One of them is now my farm manager. He is of European descent, Dutch, family immigrated to Brazil, and we are not going to introduce them. Another one of them here today is from Germany, another one is from Sweden. They have the same problem there. They also want to export. Am I going to export into their market? Are they going to take my market? We need some cooperation. Not competition, not consolidation, not monopolization, we need some cooperation. Talk about free markets. We talk about level playing field. The men here from Brazil—and you can speak with them afterwards—they got \$3-a-day wages. I pay more than \$3 an hour and benefits on my farm. This is not a level playing field. It is a highly disparate world. I believe we have to deal with those issues.

I am sorry here that it is taking me so long, but we farmers cannot help ourselves. It seems I am 57 years old. In over 50 years of history of agriculture, we farmers have not been able to help ourselves. We have lost our economic power. We need you Senators and Congress, we need you to help us regain this economic power. I feel like we are trying to put air into a blowout. We don't have a low tire. We have a blowout. We can hook up the hose, and we can let the air run all we want to with value added and niche markets and everything else, all we want to. Unless we have a tire there that will hold air, we have nothing.

I would just like to show you here if I can on these pictures. This is a maze that we did last year. You see in the maze is the Nation's capital. I feel that we farmers are lost in this maze. I feel that agribusiness is somewhere in this maze. We farmers have absolutely no economic power to get out of this maze. In the center of this maze is the United States Capitol. We need you. Now is the time. We need you to help get out of the maze. We need you now. This year's maze—and it is symbolic—is the United States. I believe this effort has got to start with the United States. We are supposedly the center of the free world, or certainly part of the free world. Well, let's stand up and do something. Let's speak for ourselves. Let's get our economic power. We need it. We all know that we are going backward and we are failing. No farmers made money last year without our subsidy. I don't like subsidies, but I certainly

can't even buy groceries without them. What a travesty. What a travesty.

Thank you very much.

[The prepared statement of Mr. Peterson can be found in the appendix on page 78.]

Senator DAYTON. I am just curious, did you build a solution into your maze?

Mr. PETERSON. We need cooperation.

Senator DAYTON. I wanted to see if Congressman Gutknecht or Senator Wellstone have any comments to make to the panelists or questions of them.

Mr. GUTKNECHT. Well, I would like to introduce a couple of people. First of all, thank you. The testimony has been excellent, all of you. Very thoughtful. Having been out on some of the rotational farms, I honestly believe that for large chunks as part of the State, that has got to be a big part of the answer. I do want to introduce a couple of very important people in the back of the room. I thought I saw Bill Hunt. Bill, wave your hat back there. He is our State NRCS director. Then we have John Monson. Wave your tie, John. They are going to be around later. If you have any questions or comments for either one of them, John is the new head of the Farm Service Agency. Probably between the two of them—and I suspect I speak for the Senators as well—they are a very, very valuable resource for us. When there are questions that we can't answer, we often call them, and they have been tremendous advisors to us. I did want to make sure they were introduced.

Senator DAYTON. Thank you.

Paul.

Senator WELLSTONE. Well, the only thing I want to do—I did it at the beginning, Senator Dayton—is I want to thank the recorder for helping us with this hearing, because this means that everything that is said is a part of the official record. Everything that will be said today will be very important. I also want to thank our signer. I don't think we could have a hearing without having a signer, and I appreciate your work as well. Give them some applause.

I know that Mark is going to have people introduce themselves, and we are going to get right to discussion. Since I drove part of the way down with Dave Frederick, I want to make sure I introduce him as president of the Minnesota Farmers Union. Where is Dave? In the back of the room, I am sure. I want you to know, Sever, that following up on what you said, the hardest thing for me to do now is to be quiet. Because you are absolutely right.

Senator DAYTON. We will turn to the next part of our hearing. Again, to our panelists, thank you very much. That was excellent testimony. You stuck within the timeframe. Thank you very much. You are welcome to stay where you are for the rest of the hearing. If anyone needs to leave, go so with our gratitude. Thank you. I would like to give an opportunity—I am always afraid to start introductions—but I don't know who is in the room, and I don't want to leave somebody out. We have members of our State legislature here. I would like to invite you to come up and introduce yourselves. If you have comments within the few-minute time limit you would like to make during this hearing, please do so. Also, Mr.

Monson and Mr. Hunt, if you would also—I appreciate Congressman Gutknecht's introduction. If any of you would like to say something for the record as well. I will give you the opportunity to do so now. I see Representative Winter is coming forward. Mr. Monson, welcome. Anyone else?

**STATEMENT OF JOHN MONSON, STATE EXECUTIVE DIRECTOR,
MINNESOTA FARM SERVICE AGENCY, ST. PAUL, MINNESOTA**

Mr. MONSON. I want to say thank you, Senators and Congressmen Gutknecht, for coming here to my part of the State. Dodge County is where I hail from. We have Dodge County farmers sitting here in the group. If they get a little raucous, be careful with them.

I just wanted to make one announcement if I could. The Farm Service Agency has made, as a result of these folks here at the table, an emergency assistance package. We have in your accounts without your knowledge put money in there. We didn't take any out; we put money in there. Market loss assistance payments. The bonus payments, they are there, probably in most every county. Right now they are out. Payments for soybeans will be going out this week. We have basically taken everybody off of everything else to make those payments as quickly as we can. That is really all I have. Thank you.

Senator DAYTON. Thank you very much.

**STATEMENT OF TED WINTER, STATE REPRESENTATIVE,
STATE OF MINNESOTA**

Mr. WINTER. It is my pleasure to be here. I want to thank the Senators and Representative Gutknecht. My name is Representative Ted Winter. I live on a farm by Fulda. I have actively been farming for 37 years. I have served in the legislature for 16 years now and went through the 1980's and went through times and troubles and people and personal problems that they had at that point. We are right back in the same boat today because we can't get a decent price for what we do in the marketplace. That is our problem.

We can talk about more credit. I don't know anybody in this room or any farmers that I have in my neighborhood that actually is willing to take on more credit. They already got too much debt. They want to have some money for what they do. If we do anything in the Federal Farm bill changes that doesn't allow more price help for our farmers, anyone that wants to reduce the loan rates for any farmers in any kind of bill or any kind of form from any kind of commodity group should be willing to take a 15-, 20-percent reduction in their paychecks and their budgets for their businesses. Because right now with the way it is happening, there is not enough money. We need the extra oil seed payments. We need the extra emergency payments from the Federal agencies so we can actually pay our bills and be out there. It is not fun. Our children and our grandchildren aren't going to be out there. That is the worst fear I have that I hear in the minds and the hearts of many farmers that I talk to that are 50 to 60 years old. Well, this is it. I am the last one. I am the last generation. We are the last generation if we don't fix this that are going to be out here. Then we will turn it

over to the industrial corporate structure, and then they will take over, and they will farm it, and the Fuldas and the Springfields and the Stewartvilles, you might survive because you are close enough to Rochester where you get some bedroom community stuff. That is what is going to happen. We have to fix the price. We don't need more debt. We need higher loan rates. We need managing inventories. There is not a business in the world that doesn't manage its inventories. One, farmers are told to produce all you can. If you produce all you can, maybe we can sell to another world, and maybe some other world will buy it, and maybe if you do it often enough and long enough, maybe then you will drive somebody else out of business, and maybe then you will be productive and profitable. Don't work. Never worked. Never will work.

Senators, congressional members, fight for price. Make the total contest of your farm bill determine that the price is better; the farmers don't get less. We have been doing more for less for so long that we can't do any more.

Senator DAYTON. Well said, Ted. Thank you very much. Thank you for attending both hearings, the one in Worthington and here. I see also who was also at our Worthington hearing, Representative Mary Ellen Otremba. Welcome, Mary Ellen.

**STATEMENT OF MARY ELLEN OTREMBA, STATE
REPRESENTATIVE, STATE OF MINNESOTA**

Ms. OTREMBA. Thank you, Senator Wellstone, Senator Dayton, and Congressman Gutknecht. I also grew up on a farm and went away to college and climbed the corporate ladder and then met a farmer and came back to the farm and have passionately enjoyed it. I actively farmed until 1997 when my husband died, and now I still live on the farm and do some farming.

I just want to touch on just a couple of issues that pertain to one of my biggest interests, and that is dairy, of course, on the Federal level. I have read in the papers and heard that some of you are not supporting the Northeast Compact. My feeling about that is when some farmers are getting a fair price, instead of punishing them and taking that away from them, why don't we let the southeast and the Midwest and whatever part of the country that wants to do a compact, do a compact. Or better yet, do it at the Federal level. I am really tired of us competing against other farmers who are all in the same mode as to produce healthy food.

Second, in that whole dairy problem, one of the major problems we have is that California farmers, dairy farmers, are—they receive about the same that we do for our milk per hundred, but the Federal Government purchases all their surplus milk, and then that surplus milk gets dumped on the Wisconsin cheese market. It is time for that Federal law to go out the window.

Another thing that I have a hard time with in the whole dairy problem is in the 1999 Farm bill, all the processors were allowed—so that their cheese plant would never fail. Well, in my district alone, because my farmers are around under 100 cows, each of those dairy farmers are giving \$10,00 to \$40,000 a year to those processors involuntarily because of the 1999 Federal Farm bill. Multiply that out in my community, which is the poorest community in the State, this is a lot of money leaving just for that amount

alone. The Federal Milk Marketing Order deducts 3 cents per hundredweight for their milk marketing order. In Minnesota alone that is \$2.5 million to punish us because we don't happen to be the right distance from Wisconsin.

My third and final—and maybe one of my most important messages—is that NAFTA has done some good things, but we need to seriously, seriously, seriously take a look at Chapter 11. There are 23 chapters in NAFTA, and we are seeing some serious lawsuits against our Government from foreign companies because of the way those NAFTA laws are written.

We are in the process of writing the Free America Trade Act. Please look at that area of NAFTA before you finish writing that agreement because the agreement as it is written now is exactly like the NAFTA. The Chapter 11 absolutely needs to be looked at, our clean water, all of those things will be gone. Thank you.

Senator DAYTON. Thank you.

Senator Scheevel, Congressman Gutknecht indicates that since we are in your district, we should have asked you to welcome us, but welcome to you. Thank you for being here.

STATEMENT OF KENRIC SCHEEVEL, STATE SENATOR, STATE OF MINNESOTA

Mr. SCHEEVEL. Senator Dayton, Senator Wellstone, Congressman Gutknecht, we would like to welcome you to our back yard. This is referred to as God's country. This is probably some of the most beautiful landscape and some of the most fertile farmland you will find in the Midwest. Frankly, we are in a time of transition. This is the country, and this is an area that was settled. One of the reasons we have livestock here is because it is a lot easier for the cattle to walk out to the fields and harvest those hillsides than it is to do it with machinery.

We are in a time of transition now because the small traditional producers are essentially leaving the land. That means either you have some midsize producers that take up their slack, or you have corn and beans. One of my concerns is that the agriculture industry itself is fighting, saying it has got to be our way or no way. If there is one point to the Farm bill I would like to emphasize, it is that we have to have opportunity for farmers of all sizes, all philosophies, all styles, to be able to compete and exist in the future. I too have seen the erosion of the past couple of years. We can very easily find where every waterway should have been in place in the last 2 years because they were gullies last fall. We need to have those kinds of environmental incentives. There used to be. It used to be that if you wanted to have a Government payment, you had to have the erosion plan in place. There isn't that tie-in together today. There should be. We have to provide incentives and rewards to be good stewards. Because without it, if you have 4,000 acres to run and the rain is coming, sometimes you don't stop for that waterway. We need the incentives. About most of all, we need opportunity. We need opportunity for everybody if they want to make their living on the land, that they have that opportunity whether it is a small producer with 2 acres of vegetables or whether it is 2,000 acres or 2,000 cattle and anywhere in between. Opportunity for anyone to pursue their dream in this country. We hope that you

will have the wisdom and insight to make those kinds of dreams possible. Thank you.

Senator DAYTON. Well said, Senator. Thank you very much for the welcome as well.

Unidentified Speaker. Never follow somebody that is always taller than you are. Senator Wellstone and I have something in common. We both are true wrestlers. I sometimes forget that in this State where we are represented by a fake wrestler, we can kind of point that out once in a while. First of all, I want to welcome you. The mayor was gracious enough to say that this is Queezley's Gable country. Honestly we have the honor of representing this in the State legislature. This is a great area to run. These are great people, and they will be warm-hearted and welcoming wagon whether Republican or Democrat today. This is a great area to recognize.

I just want to quickly touch—first of all, to thank the Congress for passing some unique tax legislation. I work on taxes and transportation in this State. One of those was the inheritance tax and making that so it is better so people can give their farms to their children and make sure that we can pass the farm on. In the past it has been almost impossible to do that, whether it is a capital gains tax or the inheritance tax. The things that were done this year in Congress really does help the situation in the future. Hopefully we can make sure that that happens.

This past 2 weeks I was able to go up and take a tour from the St. Paul Harbor down to Hastings U.S. Army Corps of Engineers. They invited me up because of my work on transportation in the Minnesota House. I want to say one thing. We do need to upgrade the transportation system in this Nation. Our locks and dams are way behind. They were designed in the system where horses and a John Deere B were used to till the land. These locks and dams are out of date. They need to be updated. We need to find ways for railroads to go through cities without disrupting cities. We need to find ways to improve our highways for the truck traffic and so forth. We are not only just shipping products out. We are shipping things in that the farmers need for supplies and other things. We need to make sure that that transportation system is in place. We have tried in the Minnesota House and the Senate and with the Governor to make sure that we get that done in Minnesota, but we do need Federal help in that area. Again, thank you for coming to Stewartville. It is a great place to be.

Senator DAYTON. Thank you very much. Everybody can tune in to the Governor's radio show on Friday for his response.

Now we are going to open it up for anyone in the audience who wishes to comment for a period again of, I believe, 2 minutes. I ask if you have additional comments or testimony to make, or you can submit it for the record. We will go from one side to the other. Please state your name at the outset for the record, and we will start then.

There was a young woman who was here. We haven't had an eighth-grader testify as yet at either of our hearings, but since Amber here represents the future of Minnesota agriculture, it would be appropriate, Amber, we will start with you. State your name for the record, please, and then we will hear your testimony.

STATEMENT OF AMBER HANSON, RACINE, MINNESOTA

Ms. HANSON. My name is Amber Hanson. I am 13 years old. I live on a farm with my family in rural Grand Meadow. We raise corn and soybeans on our farm. My dad is very interested in biodiesel. He feels that this will help us continue to farm by creating more markets for our soybeans. Biodiesel has proven to be a much cleaner-burning fuel. This especially helps kids because of the fact that school buses use diesel fuel.

Biodiesel is the first and only alternative diesel fuel to complete all health-effect testing. Right now when we are standing in line waiting for the bus after school or riding the bus for 2 hours, as many of us do, we were inhaling all the harmful emissions coming from the bus. Biodiesel reduces harmful emissions coming from the bus. Biodiesel reduces its harmful emissions, and it even extends engine life so our schools can save a lot of money each year by not having to buy or fix as many buses. There are no equipment costs for buses.

There are no equipment costs for buses to change over to the biodiesel. Schools don't have a lot of money to work with, so this is the means by which protect students' health with cleaner air. It is the proven fact that everyone in this room breathes air. Why not clean it up by using biodiesel? Even riding a diesel-powered bus could be harmful to your health. Do you really want to be sick just from breathing? I know I don't.

It takes the Earth 250 million years to replace the oil supply. Why take that from the Middle East when my dad and other soybean farmers are growing oil in their fields right here on a yearly basis. You make the decision.

Thank you.

[The prepared statement of Ms. Hanson can be found in the appendix on page 80.]

Senator DAYTON. Amber, thank you very much. I have introduced legislation in the Senate for biodiesel incentives. If you and your father could come out to Washington and testify on behalf of my legislation this fall, I would love to hear from you. I will follow-up with you.

Congressman Gutknecht wants to make a comment.

Mr. GUTKNECHT. First of all, Amber, I want to say that was great testimony. Second, one of the provisions that was included in the House-passed energy bill is something called the "green school bus." It is something I have been pushing for a long time. That is at least let's show that biodiesel works by putting it in school buses. If we can get it in every school bus in the United States, it would go a long way to reducing the surplus we have in soybeans, but more importantly, you are exactly right. It will clean up our air. I am absolutely with you.

**STATEMENT OF COLLEEN LANDKAMER, LEWIS COUNTY
COMMISSIONER, MANKATO, MINNESOTA**

Ms. LANDKAMER. I am Colleen Landkamer. I am a Blue Earth County Commissioner. Previous to my becoming a county commissioner, I worked for Congressman Tim Penney. My first farm bill was the 1996 Farm bill, and I have been working on them ever since. I am also the chairman of the National Association of Coun-

ties Rural Action Caucus. The Rural Action Caucus at the National Association of Counties is 1,000 members strong. I am really looking forward to working with all of you on this farm bill because it is so critical to our future in this Nation. I want to thank you for taking time during the recess to hold these hearings and to come out and meet with the people whose lives will be impacted by this farm bill, the people who really do the work and who put their jobs, their lives, on the line with the legislation that you will pass. Thank you very much for hearing from the people that it impacts the most.

I also want you to know that—and you know this—across the Nation there's been great economic prosperity, but it has been uneven, and it hasn't hit many of our rural areas. We are seeing people who are being challenged more and more each day. I ask you to think about that in the rewrite of the Farm bill.

Now, I know there's a lot of people that want to talk, and I don't want to take their time, so I will submit my formal testimony to the record. Thank you very much.

Senator DAYTON. Thank you, Colleen.

Welcome.

**STATEMENT OF BARBARA J. COLLINS, LEGAL SERVICES
ADVOCACY PROJECT, ST. PAUL, MINNESOTA**

Ms. COLLINS. Thank you, Senator Dayton, Senator Wellstone, and Congressman Gutknecht, for the opportunity to speak today on a subject that is very important to low-income Minnesotans and indeed to millions of Americans. My name is Barbara J. Collins. I am with Legal Services Advocacy Project.

I want to talk about the re-authorization of the Federal food stamp program which Congress must act upon this year. Since the passage of the Personal Responsibility and Work Opportunity Reconciliation Act, commonly referred to as welfare reform, in 1996, Minnesota has been an innovator in trying to maintain an adequate food and nutrition safety net for families trying to make the transition from welfare to work. We have combined the cash assistance and food programs with the Federal waiver. We have expanded eligibility so that as families move from welfare to work, they can continue to receive support in the form of food stamps. We have recently simplified our food stamp application, and I copied a number of pages, and I have them all tabbed so that it is less of a burden for families trying to obtain this benefit. Because we have done such a good job in Minnesota, we have received Federal bonuses for maintaining a high level of accuracy in our food stamp program, 6.6 million in 2000 and 4.5 million in 1999. Despite our efforts to eliminate barriers in the food stamp program, we have seen a pattern of underutilization of food stamps, which other States have seen as well.

Since 1994 our usage has declined by approximately 34.7 percent. Unfortunately, we don't have reason to believe that this represents a decrease in need. I brought a letter to the committee today from the Minnesota Food Share Association which represents the food shelves. They explain that their efforts to supply emergency food have been even more challenged than ever to continue to provide emergency food. We ask that in re-authorization several

key steps be taken to try to improve this program. I have submitted a copy of my statement—but those include restoring benefits to legal immigrants, improving the level of benefits, making the food stamp program more supportive of working families, and allowing better consistency between the medicative food stamp program.

I urge you as you consider re-authorization to make this program simple, understandable, adequate, and accessible.

Senator DAYTON. Thank you very much. Your full testimony will be submitted for the record. Thank you.

[The prepared statement of Ms. Collins can be found in the appendix on page 81.]

Senator WELLSTONE. All of us should be very disciplined because there are so many people that want to testify. Barb, I have to followup because I fear that your testimony may not otherwise be followed up on because there is going to be so much else that is going to be said that is important. You are absolutely right. We cut the benefit for legal immigrants, and their children also aren't receiving it because if they don't receive it, they don't get it to their children, the cutback on the actual financial part of the actual value of the food stamp benefits. There has been over a 30-percent decline, and around the country quite often people don't even know they are eligible. What is so important about your testimony—and I believe people will agree on this—is that the food stamp program is the most important safety net child nutrition program in the United States of America. Most of the people who benefit are the people who are working. They are working full-time. They are still poor. We take your testimony to heart, and we will change it. We are going to change it.

Mr. GUTKNECHT. Let me just say that in the bill that we passed in the House, we did provide an additional \$40 million for emergency food assistance programs, and we also simplified the application process and provided a 6-month transition program for those people who were leaving welfare. We do understand that there still are problems, and I speak for just about everybody in this room. In this country especially, no one should go hungry.

Senator DAYTON. Sir?

**STATEMENT OF GENE PAUL, FARIBAULT COUNTY,
MINNESOTA, DELAVAN, MINNESOTA**

Mr. PAUL. My name is Gene Paul. I am a farmer from Faribault County, Minnesota. Thank you for being here, Senators and Congressman. When we talk about agriculture, there are two important elements in agriculture, that is, food and people. Any policies we have should be judged in terms of how they affect food and people. The Farm bill that we are going to be working on this year is going to affect or does affect far more than just the rural areas because it is consumer issues as well. We must have something done as far as competition. The competition is vital in the Farm bill.

Senator WELLSTONE. Yes. Yes.

Mr. PAUL. The trend that we are seeing—or what we are seeing is not just a trend, but rather it is a cold, calculated effort to control the production, the processing, and the distribution of food in this country, in the world as well. As far as our trade agreements, they need to be rewritten. Trade should benefit the producer, the

consumer, as well as those people handling the trade. We need to have those rewritten to protect the environment and labor as well. Those are all very important issues. We need to establish a food reserve and an inventory management system. I would concur with Mr. Mandelko on the dairy policies along with the fact that we do support continuation, expansion, and the establishment of other Dairy Compacts.

The Dairy Compact they have in the Northeast does not prevent shipments of milk from this country. It does have a supply management program in it, and I fail to see how taking that price away from them can hurt the producers in this country or in this part of the State. We do need to continue the Dairy Compact.

One last point. Farmers need a price, but I recognize that there are going to be payments from the Government. We have talked about targeting payments. I just want to remind you that we have established a precedent as far as targeting payments in the emergency money that was sent out to dairy farmers because there was a limit put on the amount of money that would be paid to a dairy farmer based on the production they had. It was not paid on every pound of milk that they produced. We need to build on that as far as targeting payments.

Thank you.

Senator DAYTON. Thank you. Thank you for all your years of dedicated leadership.

Welcome.

**STATEMENT OF LINDA NOBLE, ORGANIC DAIRY FARMER,
KENYON, MINNESOTA**

Ms. NOBLE. Hi. I am Linda Noble. I am an organic dairy farmer from Kenyon, Minnesota. I am here today to stand up for democracy, and I would like to have my vote in the vote of over 15,000 hog producers reinstated that the pork checkoff end today. We need to change policies and reject the self-appointed leadership of these commodity groups. I produce red pork from our farm which goes for the highest export prices. I am forced to pay the pork checkoff tax and pay for ads that promote white pork and factory farms. These commodity groups don't represent me.

The loss of the family independent farm is something that they understand. It is important to have a local food system. We are losing too many farmers each day. We need to support the sustainable farmers. They are good for local communities, environment, and animal welfare and economy. The new Farm bill should reflect this. On the news and in the papers, I read about spills and fish and pollution of the ground water and surface water and air. A new report that is out is called "Cesspools of Shame: How Factory Farm Lagoons and Sprayfields Threaten Environmental and Public Health." This witch's brew of toxins from lagoons and sprayfields is polluting our air, lakes, rivers, streams, and drinking water. Robin Marks, who authored the report, he is quoted as saying, "It threatens the health of farm workers, neighbors, and even communities located far away from factory farms as well as fish, wildlife, and aquatic ecosystems." Read the complete report at the NRDC web site at www.nrdc.org. How many reports has there to be before something is done? How many people need to get sick? How many

rivers need to be polluted? The lagoons of Smithfield have broken, failed, and overflowed and killed fish and contaminated our water and aquifers from the hydrogen sulfide issues, and it pollutes our air.

Under the proposed technology at the EPA, the Agency allows thousands of voluntary factories with lagoons the size of football fields. Waste contains viruses, bacteria, and antibiotics, metals, oxygen-depleting substances and other substances that run on our land, the ground water, that ruins the atmosphere.

We need to support more sustainable farmers so we don't have to clean up the environment put back in farms. The administration needs to see more interest in protecting public health and the protecting the—of corporate agribusiness. We need a conservation-based farm bill instead of a production-based farm bill. I will submit my testimony as well.

[The prepared statement of Ms. Noble can be found in the appendix on page 84.]

Senator DAYTON. Thank you very much. I will submit a copy of the report that Julie Janssen gave me last Friday for the record of the hearing as well. Thank you.

Senator DAYTON. Welcome.

**STATEMENT OF EUNICE BIEL, DAIRY FARMER, HARMONY,
MINNESOTA**

Ms. BIEL. Senator Wellstone, Senator Dayton, and Representative Gutknecht, members of the panel, my name is Eunice Biel, and I am a dairy farmer from Harmony, Minnesota, in Fillmore County. My husband Robert and I are dairy farmers, along with our son Kevin and his wife Kelly. We are members of the Minnesota Milk Producers, and also I am on the executive board of the Minnesota Farmers Union. I would like to talk about two important issues.

First of all, the fighting compact is taking away attention from the real problems. We should be spending more time working on our cheese prices here in the Midwest and dealing with the MPC problem. Fighting other dairy producers is a losing battle. We do not have the luxury to fight amongst ourselves. No dairy producer has ever profited at the expense of another dairy producer going out of business. Why are we fighting farmers with higher production costs? Land is not as productive as ours, and we are short of class one milk. Our surplus does not come to the Northeast or the Southern States. On the contrary, our surplus comes from the Western States. I propose that instead of fighting against other regions, we look at possibly forming our own Midwest compact to ship out to the areas that need it.

The benefit from compacts is not the financial benefit, but rather it brings everyone together to evaluate what is a fair price for milk, and it empowers the producer. The reasons the compacts were formed in the first place is the Federal system failed those farmers, and they took it into their own hands to give themselves a better price.

Second, conservation needs to be an integral part of every agricultural practice rather than an afterthought tacked on to mitigate damage. Which is why the conservation land impact and changes

in the next Farm bill are so important. The Conservation Reserve Act provides rewards for conservation practices on working lands to strengthen both the farmer and the land and win support of all citizens who want a clean environment.

I would also like to say that Minnesota Farmers Union along with Minnesota Milk Producers have joined in a dialog with other dairy producers, and we call ourselves the U.S. Dairy Producers Alliance. We need and have dialog with dairy producers from the Western States, the Southern States, the East Coast States, Louisiana, Alabama, Pennsylvania, and the Midwest and to talk about common interests and so that we can all share our problems.

Thank you very much for coming to the southeast part of the State.

Senator DAYTON. Well said. Thank you very much. Thank you. Welcome.

STATEMENT OF JIM RIDDLE, WINONA, MINNESOTA

Mr. RIDDLE. Thanks for holding this hearing and the opportunity to speak. My name is Jim Riddle from Winona. I am chair of the Minnesota Department of Ag's Organic Advisory Task Force, secretary of the National Organic Standards Board, and I am here representing the Organic Committee of the National Campaign for Sustainable Agriculture. I would like to discuss three issues that I see that the Congress must address coming up.

One is the Conservation Security Act which has already been discussed. You must reward farmers who conserve and protect rather than those who deplete and pollute and deal with problems such as the dead zone in the Gulf of Mexico the size of West Virginia that is caused directly by our upland practices.

Second, I would like to talk about organic program needs and thank you and the Senate for attempting to get an organic certification cost share, and we want to make sure that that is passed through the House version of the Farm bill this time. Our model here in Minnesota has been working for 3 years providing some regulatory relief to organic farmers who have to pay their own regulatory costs to prove that they are not polluting the Earth. We need some relief, and we need more than that. We need research funds. I submitted the written comments which have extensive description of various research needs coming up. Because farming and harming the earth is true sound science at its cutting edge.

I just want to tell you about last week I was at Lambert and the University of Minnesota. It has 120 acres of certified organic research farm. Largest in the country. One of only three in the entire country. Interesting results coming out there after 10 years showing that the organic 4-year rotation is comparable yields, better soil quality, no nitrates, and significantly higher profits.

The final thing I would like to touch on is genetic trespass. This is a huge issue that must be dealt with. Transgenic pollution is harming both conventional and organic farmers. We have lost billions of dollars of exports because the world doesn't want these crops. We have to grow what the markets demand. It is time to implement that and hold the companies accountable for the genetic pollution they are causing.

Thank you very much.

[The prepared statement of Mr. Riddle can be found in the appendix on page 86.]

Senator DAYTON. Thank you for covering a great deal of important issues in a very short time. Thank you very much.

Senator DAYTON. Welcome.

STATEMENT OF NANCY ADAMS, LE ROY, MINNESOTA

Ms. ADAMS. Thank you for coming out and hearing what the farmers have to say. My name is Nancy Adams. A friend and I have a 120-acre farm south of here near Le Roy, Minnesota, which we bought 3 years ago. My friends and family think I am crazy. I am a well-educated, single, middle-aged woman from the Cities who has worked and traveled all over the world. When people ask me what I do, I say I am a farmer, but I am much more than that. I am an environmentalist and a futurist.

Because I am an environmentalist and a futurist, I have become a farmer. Because I believe my future and the future of our country lie with sustainable agriculture. There are a lot of things that I could say about this, but I will limit my comments to a few main points. First, we are approaching the end of the petroleum era. Some analysts say this will happen in 50 years, so many of our children and grandchildren will be living in a world with no petroleum.

One of the major questions we need to be asking ourselves and addressing is what we are going to use in the future to replace petroleum and all of the ways it is currently being used. There is no doubt in my mind that in the future the carbohydrates of plant material will replace the hydrocarbons of the petroleum in providing fuel, raw materials for industry, and food for populations that are growing exponentially. We will need huge quantities of plant materials in the future to replace petroleum, and we need to ask ourselves now how we will grow all of this plant material and work to ensure that we will have what we need to provide it.

To grow the large quantities of plant material we will need in the future, we need several things: good agricultural land, reliable rain and weather patterns, farmers, seeds that respond to varying conditions, and production methods that are substantially different than those we now have. Living in the Midwest, we take farmers, good agriculture land, and reliable rainfall patterns for granted and assume that they will be there in the future. However, the continuation of all these things are in serious jeopardy and no longer can be taken for granted. It should be the major component of the new farm bill to ensure that all the components are in place to provide the large amounts of plant material we will need in the future.

My time is up, but I really would like to just plod on, if I may—

Senator DAYTON. I have to ask you, as I have asked everybody else, just to sum it up in 30 seconds, please.

Ms. ADAMS. All right. The main point I want to make is productivity and viability of millions of acres of land in the Midwest are currently being threatened. David Tillman is a professor from the university. He looked at the environmental disaster that is happening in the Red River Valley because of a modern cultural cropping system. He found that the disease and pest buildup made the land

up there so that it could no longer be used for agriculture. He said that the same thing was happening in the corn/soybean rotation. The rotation has broken down, and it is just going to be within a decade that all of these millions of acres will no longer be able to produce corn and soybeans.

I have a long statement here which I really would appreciate you reading.

Senator DAYTON. I will read it, and we will submit it to the record. We can assure you of that. Thank you.

Senator DAYTON. Welcome.

STATEMENT OF REV. CHUCK PURDHIM, (RETIRED), UNITED METHODIST CHURCH, BROOKLYN CENTER, MINNESOTA

Rev. PURDHIM. I am Chuck Purdhum, United Methodist Minister, retired. I can't speak officially for the United Methodist Church, only as general conferencing to that, but in a recent session the general conference adopted a social principle statement entitled "U.S. Agriculture in Rural Community in Crisis." One of the things that calls our churches to do, was to give serious research, aggressive research, to corporate ownership of agriculture and its effects upon life and rural areas and advocacy necessary, and responses based upon the finding of that research. The research not been completed as yet. They are still in the process. While not waiting for that to be done, our own Bishop here in Minnesota conducted a series of hearings among the farmers of our State beginning with up at the Red River Valley moving down through the western part of our State and down south through Dexter and Pine Island.

Out of those hearings, several things became fairly clear. Out of the growing concern about the large conglomerates, big mergers are the source of our problem, as some of them put it. Paralleling that, a concern about ecology, stewardship, conservation. Because of U.S. Government trade sanctions, our products cannot be sold in certain countries. It will be that they be taken in the international dimensions of this whole issue as well.

This is not just a farm crisis but a rural crisis. To keep in a larger setting, what happens to farmers happens to rural communities as a whole. We are not just listening to the farmers. We as a church are trying to listen also to a God, a God of justice, and a God of hope. The gentleman over here said something about this is God's country. That is more true than he realized. We and you are God's people. God will be seeking to work through you in terms of justice and hope as you work on this legislation. I would urge you to remember the task ahead of you is never as big as the powers behind you. Our prayers will be with you.

Senator DAYTON. Well said. Thank you very much.

Senator DAYTON. Welcome.

STATEMENT OF PHIL SPECHT, DAIRY FARMER, MCGREGOR, IOWA

Mr. SPECHT. I am Phil Specht. I am a dairy farmer from McGregor, Iowa. I would like to add my 37 separate recommendations that were formulated through a process that included all 99 counties in Iowa, and this is as my capacity as Chair of the Ag Subcommittee of the Democratic Party Platform of Iowa. We came

up with 37 separate recommendations, so I would like to enter this in the record and speak as a farmer.

I came up here to thank Senator Wellstone for coming down to Iowa and lending the support in the depths of the hog price crisis and to stand up and speak against the lack of competition in the market. I want to ask you to include in your legislation a competition title. Make sure it is in there. I am all for conservation, the conservation security. Tom Harkin got it right. I second that. That is in here.

I would like to thank Representative Gutknecht for his support in rotational grazing. That is how I farm. Nice to meet you, Senator Dayton. Thank you very much again, Paul. Keep fighting for justice.

Senator DAYTON. Thank you very much. We welcome our neighbors from Iowa. We have had good relations with both Senator Tom Harkin and Senator Chuck Grassley. Thank you for joining with us.

Welcome.

STATEMENT OF KEVIN RISTAU, JOBS NOW COALITION, ST. PAUL, MINNESOTA

Mr. RISTAU. Thank you, members of the committee. My name is Kevin Ristau. I am an ex-farmer, and I am presently education director of the Jobs Now Coalition. Jobs Now consists of more than 100 organizational members who have ignored their differences so they can focus on what they have in common and their belief that the opportunity to attain self-sufficiency through one's work is a fundamental community standard.

Jobs Now's most recent attempt to define self-sufficiency is a report of the cost of living in Minnesota which figures the cost of basic needs for families of different sizes in each of the States, 13 economic developmental regions. In this report, if we look at the Minnesota counties, they are still especially dependent upon the farm economy. We find that living costs are 20 percent lower than the seven-county metro area. However, average wages in these farm counties are 44 percent lower.

Like the Federal minimum wage floor, the farm price support program is a legacy of a new deal. Just as the purpose of the minimum wage was to put a floor under wages, so the purpose of the Federal farm program was to set a floor under farm prices. With the new deal programs, Government intervened in the marketplace to make the balance of power more equitable. As a result of this intervention, farmers received better prices and workers received better wages.

Opponents of these new deal programs have always argued that this form of government intervention in the marketplace is counter-productive to low-wage workers and family farmers who would both somehow be better off without it. To suggest, however, that either low-wage workers or family farmers can flourish without market intervention is to imply that they have just as much market power as employers in agribusiness corporations. It is like refusing to install traffic lights at a busy intersection and then insisting that pedestrians or compact cars can get through it as easily as semi trailer trucks.

We need to remember that neither farmers nor low-wage workers would ever have won anything if they had believed the market was an immutable law like the law of gravity. Ordinary citizens attained their victories only because they knew the market was a human construction that could be shaped for the good of their communities.

If the market is a human construction and not a force of nature, then the implication is clear. The market can serve our human purposes. It should be used to create the kind of society in which we want to live.

Thank you.

Senator DAYTON. Thank you. If you will submit a copy of the study for the record. We would welcome that.

[The prepared statement of Mr. Ristau can be found in the appendix on page 91.]

Senator DAYTON. Welcome.

STATEMENT OF LEWIS REIMAN, UTICA, MINNESOTA

MR. REIMAN: My name is Lewis Reiman. I am from Winona County. Thank you, Senator Wellstone, Mr. Dayton, and Mr. Gutknecht. I am here to speak—probably one of the minority. I am here too for the elimination program. I believe I have seen firsthand the destruction of both the family farm and the soils that the programs have provided. The result of the current program is that the hay is gone. There is no hay left there to hold the soil. It is flushing it out. Civilizations have fallen because their soils have been gone. In our own hemisphere the example would be the Incas in Central America. What the Government does essentially is effectively paying only for row crops.

What I would like to give you is a method to eliminate by paying a set amount per all tillable acres on the farm. Let the program run from 5 to 10 years or whatever is in between, and reduce each payment by that percentage each year and make the maximum payment only to \$35,000 and reduce that payment by the reciprocal of that year.

Another article I would like to speak to is the clause—I want to be watched for dumping on our markets. Our agriculture department has pricing mechanisms in place that they could watch for this when it is happening, and it could run a trigger in there that we could stop this dumping from happening quicker. I define dumping as a significant price below the whole market.

Thank you, sir.

Senator DAYTON. Thank you. Thank you very much.

Senator DAYTON. Welcome.

STATEMENT OF NIEL RITCHIE, INSTITUTE FOR AGRICULTURE AND TRADE POLICY, MINNEAPOLIS, MINNESOTA

Mr. RITCHIE. Senators, Congressman, I am Niel Ritchie. I am with the Institute for Agriculture and Trade Policy in Minneapolis. On behalf of the National Family Farm Coalition and the National Farm Action Campaign, I will submit a farm policy agenda which is embodied into something called the family farm, which we would like you to consider as well.

In terms of remarks, I would just say that people here have done an amazing job of covering the waterfront in terms of the challenges we face. We know the state of the rural economy is driven by local incomes that are derived from the land, and they are earned by farmers and ranchers. We know the Government has a role to play, a really critical role to play in leveling the playing field. We would call on Congress to consider a reinstatement of tried and true proven Government policies that work for farmers and consumers and taxpayers that include a mandatory farmer-owned reserve program, support prices that are set at a fair level, and a way to manage their inventories.

Grain prices are adjusted for inflation, we know, and soybeans went down another 16 cents today because China is not the market we were promised. It is the lowest in three decades. Farm policy, Federal farm policy, has abandoned independent farmers in favor of a food production system that is controlled by large multinational agribusinesses. Issues affecting farm prices are felt locally, but the impacts are often the result of international trade agreements that are negotiated without assessing or balancing the true cost of and the impacts on our rural economies. We strongly believe that trade agreements should respect each country's needs and traditions for food security, for conservation of natural resources, and for the distribution of economic opportunity.

We don't support fast-track process for negotiating international policies, and we call for a full debate in consideration of the issues that will provide a secure future for our nation's farmers and consumers.

Finally, I would just say that programs that are dependent upon expanding export markets is the solution to the farm income without addressing the need for fair prices or predicated on flawed assumptions and only foster the vicious cycle. Our export-dependent policies failed miserably and must be replaced. The proof is in the numbers. It is time for Congress to look at home on the ground at the results and not at the flawed economic projections that they get from economic research services.

Thank you.

[The prepared statement of Mr. Ritchie can be found in the appendix on page 93.]

Senator DAYTON. Thank you.

Senator DAYTON. Welcome.

**STATEMENT OF JANICE DALEY, GRAIN FARMER, LEWISTON,
MINNESOTA**

Ms. DALEY. My name is Janice Daley. My husband, John, and I are grain farmers from Winona County, Lewiston, southeastern Minnesota. Thank you, Senators Wellstone, Dayton, and Congressman Gutknecht. I too am here to enter into the record the National Family Farm Coalition bill, the Food from Family Farm Act. I am just going to summarize a few things. As grain farmers, of course, the grain part of the bill is one of the most important parts. We call on Congress to pass a farm bill that will establish support prices at the full cost of production plus a profit and to get that profit out of the marketplace. Nothing bothers my husband more than Government payment checks so we can keep going and sur-

living. I mean, it doesn't take a rocket scientist to sit down, do our income tax every year, and see if we didn't have the Government payments where we would be. We would not be there.

In this act they want to maintain the flexible planning options and establish short-term conservation methods to avoid overproduction, require labeling of meat and all imported foods, restore competition to the food, the farming food sector, negotiate fair trade agreements, and hold the USDA accountable whether it is on checkoffs or equal access to farm programs or farm credit programs.

If we truly believe that the young must take over and must survive and be active farmers in the next generation, and that restoring farm income is the primary focus in getting it out of the marketplace, this is what the food from the family farm manager proposes. Targeting corn at loan rates at \$3.45 a bushel on 125,000 bushels. Targeting soybeans at \$8.63 a bushel on 35,000 bushels. Targeting wheat, \$5.12 a bushel on 65,000 bushels. This is for all of you a little more than 50 percent of cost of production. I will enter into the record some materials that I have to back that up.

Thank you.

Senator DAYTON. Thank you. Please do submit your report for the record. Thank you.

[The prepared statement of Ms. Daley can be found in the appendix on page 96.]

STATEMENT OF SISTER KATHLEEN STORM, MANKATO, MINNESOTA

Sister STORM. I am Sister Kathleen Storm from School Sisters of Notre Dame from the Center for Earth Spirituality and Rural Ministry in Mankato. I am not a farmer, but I grew up on a Minnesota farm, and I feel passionately about what is going on on a day-to-day basis with our farmers and our rural communities. I feel their passion and their pain as they try to find hope and meaning for themselves and their families.

This is the kind of farm bill that the School Sisters of Notre Dame would like to support. We would like you to reward farmers for conservation practices that they already are doing even on a small part of their farm while they learn the benefits of protecting soil, water, and air. It takes a courageous farmer to find alternative ways to farm and protect the soil from water runoff, keep our water and rivers free from chemicals, raise animals humanely on grass, and keep the air clean. Give farmers incentives on how they farm. They suffer proposals for payments for conservation practices. I laud the intent of those proposals. I know several conservation proposals place caps on these payments. I urge you also to put caps on commodity payments as well. Close the loopholes that allow farmers to plant more and more acres because they know Government payments will support them even though it is causing escalating rental rates, increasing land values, and low grain prices and doing little or nothing to reduce erosion.

I would ask you too to provide incentives through small grocery stores and institutions like ours in Mankato or colleges, hospitals, and restaurants to purchase locally grown foods. Why? Because they keep the food dollars in the local community which strength-

ens that community. This summer through a Bremmer Foundation grant we hired an intern who is helping us to buy vegetables and meats locally. We have found it a complex and confusing process as we try to work within the USDA regulations and rules.

Last, I urge you to do what you can to turn around our chief food policy that is very costly for the environment and for family farms. Current public policy continues to move farmers off the land. When we have healthy food and healthy animals, we will have a healthy farmland and rural communities.

Thank you.

Senator DAYTON. Thank you, Sister. Very well said.

[The prepared statement of Sister Storm can be found in the appendix on page 99.]

Senator DAYTON. Welcome.

STATEMENT OF KEVIN SCHEIDECKER, FILLMORE SOIL AND WATER CONSERVATION DISTRICT, PRESTON, MINNESOTA

Mr. SCHEIDECKER. Thank you. My name is Kevin Scheidecker. I am the manager of the Fillmore County Soil and Water Conservation District. I am passionate about conservation. I am also currently the Chair for the Basin Alliance for the Lower Mississippi in Minnesota. The alliance is a local coalition of Government agencies, environmental groups, agriculture groups, and other organizations concerned with natural resource management and water quality in the Lower Mississippi Basin in Minnesota.

One of our main strategies is to increase the amount of perennial vegetation in the basin such as hay, pasture land, and vegetative buffer strips in an effort to improve water quality in the Mississippi River Basin. The current trend of less livestock on the land has led to a dramatic shift from conserving land uses such as perennial pasture and hay toward attentive row-crop farming that addresses agriculture and water quality due to its impact on soil erosion.

Livestock producers and conservation professionals need to spread the word that without a livestock presence in southeastern Minnesota, we are fighting a losing battle to save the soil. We need to have recognition that hay, pasture, and even livestock manure plays a large role in protecting agriculture by keeping soil in place while ensuring that the fertility is maintained.

Therefore, the Basin Alliance is proposing a pilot project in the Greater Blufflands Region of southwestern Wisconsin, northeastern Iowa, and southeastern Minnesota that would recognize the importance of hay and offset the current biases toward row crops by designating hay a program crop eligible for benefits under the Federal Farm Program. This will put hay on a level playing field with the other commodity crops such as corn and soybeans and will allow hay production to be more profitable while giving a boost to livestock producers for their efforts without penalizing them for raising hay and maintaining pastures. I have submitted a copy of that proposal into the record.

Thank you for your time.

[The prepared statement of Mr. Scheidecker can be found in the appendix on page 100.]

Senator DAYTON. Thank you.

Mr. GUTKNECHT. Let me just say just to my Senate colleagues, that is a great idea. We did get quite a bit done in the House-passed version, but we didn't get to that point. A pilot program in this region for hay would be something. If you could possibly get that done in the Senate bill where you can get the language, we will try to negotiate with you in the Congress community.

Senator DAYTON. Thank you. I haven't heard that before. Thank you, sir.

Welcome.

**STATEMENT OF MIKE NOBLE, CROP AND LIVESTOCK
PRODUCER, KENYON, MINNESOTA**

Mr. NOBLE. Thank you. My name is Mike Noble, Dodge County crop and livestock producer. Years ago I came to meetings to support freedom to farm. At the time I was changing the farm to meet market ideas. I was losing base acres because I was planting less corn. I was shocked to discover that a group of vegetable giants prevented me from growing vegetables on base acres. This caused many Midwest vegetable companies to close making freedom to farm alive. Ann was one of the folks to lobby for this. She since has taken my mode away with a checkoff issue.

Last year I produced under contract organic soybeans. The buyer provided seeds. I grew and delivered the crop. The buyer refused to pay. Contaminated with GMOs. My local attorney said I had no chance because the contract was clear. Then listening to the skeptics of the judicial system in the country, you say that justice belongs to those who pay for it. I hired the law firm who did the Hormel turkey store merger. Hormel recently terrorized Austin into lowering property values from 32 million to 15 million. Broke their union by selling to ConAgra, making Hormel a captive independent instead of succumbing to a major merger mania.

In days I received full payment of the soybeans. Not because the law protected me but because the buyer could not afford to fight the attorney I had hired.

If I get a woman pregnant, I would be responsible for raising the child. If the sport of crops adulterated by Monsanto destroy my crop, my reputation, and my income, Monsanto can sue me for stealing their technology. This is terrorism. Thousands of farmers and businesses have been sued out of business, quit, or sold out for fear of being ruined. Survivors have had to make partnerships with Monsanto.

Monsanto has used outdated patents to bring disaster to America's ag entrepreneurs and acquires vast portions of agriculture's value-added seed industry from family and rural community to add to centralized corporate ownership.

Today I sell nothing to these corporations that manipulate agriculture, but they all want my crops, my brands, my name, and my product. I do not fear fire, hail, and flood but face everyday contamination, corporate predation, corporate tax, and set-asides. I received \$11,000 in welfare from the Farm bill, but I could have lost \$40,000 to this one Monsanto event.

Senator DAYTON. Very powerful statement. Thank you.

[The prepared statement of Mr. Noble can be found in the appendix on page 105.]

Senator DAYTON. Welcome.

STATEMENT OF RON DURST, ON BEHALF OF ASSOCIATED MILK PRODUCERS INC.

Mr. DURST. My name is Ron Durst. I am a dairy producer from Dodge County. I am here today representing Associated Milk Producers Incorporated, New Ulm, Minnesota. On behalf of the dairy producers of Associated Milk Producers, I want to thank the members of the U.S. Senate Agriculture Committee for conducting a hearing in the heart of both dairy and AMPI country. As Senators Wellstone and Dayton as well as Representative Gutknecht know, dairy is synonymous with Upper Midwest agriculture.

I come to you as both the member of the AMPI Board of Directors and a Minnesota dairy producer. For more than 100 years, the Durst family has farmed in Dodge County near Mantorville, Minnesota. I currently operate a dairy and grain farm in partnership with my two brothers.

In addition, I have been a member of the AMPI Board of Directors for 1 year. AMPI is the largest milk marketing organization in Minnesota and the cooperative's seven-State membership area. Together, 5,000 dairy farms move milk from the farm to the market. With 14 manufacturing plants located throughout the Upper Midwest, we manufacture more than 5 billion pounds of milk into a complete line of dairy products.

When deciding what constitutes an effective farm bill, please consider the need for a stronger milk price safety net, funding an effort to clean up the Johne's disease, and eliminate regionally based dairy policies.

First, let's look at the need for a stronger safety net. This industry has been operating under a dairy price support of \$9.90 per hundredweight throughout the 1990's, the same level included in the farm bill legislation passed by the U.S. House.

I am confident that any dairy producer in the room will agree that \$9.90 is not an adequate safety net. We had a full dose of \$9.90 last year and only survived with cheap grain, LDPs, and supplemental payments totaling nearly \$1 per hundredweight. It simply does not make sense to write a long-term farm bill based on prices we know are too low.

In this farm bill we must do better. Dairy producers need a meaningful price support program or supplemental payments when dairy prices fall below specified levels. There are credible legislative proposals that seek to supplement the Class III milk price when market prices fall. The benefits of these programs could be effectively targeted to our producers or our need, without causing major market distortion.

To be effective, both price supports and supplemental payments must be coupled with inventory management and consistent dairy import policies.

Inventory management is an everyday occurrence in every other business. Why not agriculture? We can argue the details and mechanisms for implementing inventory management, but it is difficult to argue the logic.

The second request I have is to finance an effort to clean up Johne's disease. It is a contagious, chronic, and usually fatal infec-

tion that can affect all ruminant animals. A national coordinated effort, in conjunction with the States and cattle industries, must be implemented and funded.

Finally, I must ask you to eliminate regionally based dairy policies such as dairy compacts. Compacts benefit some groups of producers at the expense of others.

Reliable economic studies by the likes of USDA and others show that relatively high prices for some dairy producers actually lower prices for others.

Though I realize dairy compacts are not within this committee's jurisdiction, they are part of today's overall dairy policy mix, and you should oppose their continuation.

Committee members, thank you for this opportunity to testify only 30 miles from my farm. Strengthening our country's milk price safety net, funding an effort to clean up Johne's disease, and the elimination of regionally based dairy policies will ensure the next generation of the Durst family can milk cows.

Thank you.

Senator DAYTON. Thank you, Ron.

Welcome.

STATEMENT OF VICTOR ORMSBY, WINONA, MINNESOTA

Mr. ORMSBY. Thank you for the opportunity to appear before you. My name is Victor Ormsby. I have been a long-time organic vegetable grower and wildflower grower from Winona County. I am a soil and water supervisor from Winona County and a recent appointee to the Board of Water and Soil Resources in the State of Minnesota. The State agency is in the process of drafting a policy statement on the Farm bill, which you will be receiving down the road, I am sure. I am here today as a member of the Land Stewardship Project, and I would like to speak specifically to the EQIP program.

We feel that the EQIP program must be adequately funded. It was proposed that we fund it at a level of about \$1.8 billion a year and that there be adequate resources for technical support. We also feel we ought to have revised standards to allow for reduced-cost conservation options. A lot of times in the soil and water conservation district office, we will use State and county funds to cost-share on the lesser-cost practices because NRCS standards are pretty strict and would only fund high-priority practices or high-cost practices.

We also feel that there should be transition payments to encourage crop biodiversity for annual cropping and intensive rotation of grazing systems as a part of EQIP. We feel that feedlot money should not be used to fund new or expanded feedlot operations. In Minnesota we limit cost-share funding for feedlots to existing feedlots with serious environmental problems. It is designed to bring existing feedlots into compliance with clean air and clean water standards. I feel cost-share and feedlot should be limited to existing feedlots with the environmental problems. Funding for EQIP should not be taken from the Conservation Reserve Program. It should not be taken from the Wetland Restoration Program. It should not be taken from wildlife habitat incentive programs nor from any of the forest conservation programs. The management of EQIP must stay with NRCS.

Thank you.

Senator DAYTON. Thank you, Victor. Thank you very much. Very well said.

Senator DAYTON. Welcome.

STATEMENT OF TOM HOSCHEIT, CALEDONIA, MINNESOTA

Mr. HOSCHEIT. Thank you, Mr. Wellstone and Mr. Dayton and Congressman Gutknecht. My name is Tom Hoscheit. I am from Caledonia, Minnesota, the very southeastern corner. Thank you for giving me this chance to talk to you and express our concerns.

I farm in southeastern Minnesota with my dad and my brother. My dad gave me an opportunity to join his farming operation over 25 years ago, and I am very thankful to him for that opportunity. Unfortunately, I don't know if I can do the same for any one of my four sons or daughter. Not that I can't do it, but don't know if it is fair to them to do it. How can I start them out farming and not be able to compensate them for the amount of time and work that it takes just to get by, let alone make any money when they can do so much better away from the farm?

The hardest thing I had to do a year ago was to say no to my oldest son about coming into my operation. What is even harder is realizing how good he would be for our business, but it is not fair to him. I don't want to see my kids in 25 years having to come here like I am today begging you to help and continue to hope the Government will keep coming up with enough money to keep us operating for another year. It is unfair to see the big co-ops that were once Midwest co-ops merge with the co-ops in the West and the South and now the East. They are able to take advantage of the Northeast Compact and California markets and, in turn, hurt our prices here in the Midwest.

We as dairy farmers need better prices. The price support needs to be raised. We need to get rid of all the different regional price structures, and all the milk should be priced the same. Products and imports from other countries need to be controlled, especially when they are not real dairy products but are able to be labeled as real dairy products such as MPC. We need better prices to stay in business so that we can in good conscience secure the future of the family farm so that some of my sons or daughter and other young people can look forward to a dream of joining in the family business.

Thank you for your time. We hope that you will do your best to secure a bright future for the next generation of farmers.

Senator DAYTON. Very powerful statement, Tom.

Senator DAYTON. Welcome.

STATEMENT OF LORRAINE REDIG, WINONA, MINNESOTA

Ms. REDIG. My name is Lorraine Redig. We farm here near Winona, Minnesota. Our family has been on a century farm for quite a while, and our sons that are farming there have to have other work to support their farming habit, which is not fair.

After farm production leaves the farm, everyone else who handles it markets it as the demand arises at a profit. Justice demands that producers of raw farm production are also able to follow the same business rules. Before it leaves the farm, they should have

the same business rules. Justice demands that farmers and laborers who produce the food receive a fair share of what consumers spend for food. Farmers don't have the structure to enable us to market our production as the demand arises at a profit. The buyer traders have filled that vacuum. They discriminate against those who enter raw production from a certain economic stream. The supply and demand economic system is called a law of nature, but it is not. It is man-made policy, and it is unjust policy.

The buyer/trader set prices on both ends of their business at great profit to themselves. That is the injustice that we face. We ask you to form a farmer-run democratic board of trade to replace the Chicago Board of Trade and every other structure that enables the buyers to put production they don't yet own up for sale at auctions that they control to find out how little they have to pay for what they want to get. The only trade that a just nation can afford is trade that profits everyone involved. The farmers' board of trade would market the supply for which there is a demand at a profit to the producers. This supply would come equally from all producers, large or small. When the supply of small producers is exhausted, the large producers would have an equal opportunity to sell as demand arises. If there isn't a market for something, it would be held until there is a market as the same with other businesses do. Thank you.

[The prepared statement of Ms. Redig can be found in the appendix on page 109.]

Senator DAYTON. Thank you, Lorraine.

Senator WELLSTONE. Again, to be very brief, when Lorraine said "democratic board of trade," that was with a small "d," which is the most important of all. The second thing is I would like to, as a point of privilege, Senator Dayton and Congressman Gutknecht, I would like to thank Lorraine and Art for your—when I hear you speak of the Bishop, because you put together your values and your deep religious faith with why we are all here and how important family farmers are to this country. I would like to thank you for years and years and years of having such a strong voice. I would like to thank Tom earlier who preceded you. You were walking back as Senator Dayton was saying "very powerful." Everybody has been, but I want you to know that the way you put things and you talked about your son connected with everybody in this room.

Thank you.

Senator DAYTON. To extend the hearing until 3:30, we have about 20 more witnesses that are in line here. That is going to be close to 40 minutes. If anybody else wants to speak, if you would join the ranks now. I am going to ask after this next speaker, I am going to close it off at that point so we can continue. Welcome. Thank you.

STATEMENT OF KEITH SPELTZ, DAIRY FARMER, SOUTHEAST MINNESOTA

Mr. SPELTZ. My name is Keith Speltz. I am a dairy farmer from southeast Minnesota here. Just a few comments on the reports that the Government sends out every month. You are telling the whole world what our production is for corn, soybeans, milk, and cheese, so they all know what we are producing, how much we have, and

then we expect to get a fair price. It is like playing poker and showing your cards before you bet. Everybody knows what we have, and that is not fair. The Government is doing this, and agriculture, I believe, is the only industry they do it for. It is just not fair to the people in agriculture. I don't know what the answer is, but we need supply management of some sort, and we need free trade. I don't think there's free trade in the world the way the Government handles things now.

Thank you.

Senator DAYTON. There are outputs for production imports in almost every commodity and product. However, your point is well taken. Thank you.

Senator DAYTON. Welcome.

**STATEMENT OF MARGARET ZIMMERMAN, WASECA,
MINNESOTA**

Ms. ZIMMERMAN. Senators Dayton and Wellstone, and Bishop Harrington—we have to go to the top here—I am Margaret Zimmerman from Waseca, Minnesota. I am bringing this issue to you today because we have gone—in the past 2 years, we have gone to our local township officials, our county officials, our State officials, and we are still in the midst of the whole battle regarding feedlots. A large feedlot is being proposed for our community in Waseca County. It would be a contract operation with Wakefield Pork, which already has several operations in our area that are poorly managed. We are working with the Land Stewardship Project and have formed a group called Citizens' Concern for Waseca County to work on this issue and other feedlot issues in our State. This proposed operation is 2,400 sows or 960 units, under the mandatory threshold, just under the mandatory threshold of 1,000 animal units that require an AEW review or NPDS permit. This feedlot is being proposed in a drained wetland, and the manure will be spread on this drained wetland. It is also known as the famous Moonan Marsh Federal wildlife area, just less than a mile from me.

The creek is officially listed as impaired—Crane Creek is officially listed as impaired with MPCA because of the elevated levels of fecal coliform. This watershed ultimately leads to the Mississippi River. Our group met with members of MPCA on Thursday, August 16th, and we were not able to get a satisfactory answer to our request for an NPDS. We request that you send a letter to the EPA and the MPCA urging them to follow the existing Federal law by requiring an NPDS permit. Urgency is required as the MPCA will rule on this permit issue as early as yesterday, and construction of the project could begin at any time.

Senator DAYTON. Could you give us the information after the hearing? I will be glad to followup with you on it. This came up as Friday as well.

Ms. ZIMMERMAN. I do have one of these sheets for each of you.

[The prepared statement of Ms. Zimmerman can be found in the appendix on page 110.]

Senator DAYTON. Thank you. I am going to close the witness list with the two gentlemen who are standing there. However, there are 22 witnesses still remaining. At 2 minutes apiece, that is 44

minutes. I am going to ask you to strictly observe the 2-minute limit, please, and we will conclude. Thank you.

**STATEMENT OF LES EVERETT, WATER RESOURCES CENTER,
UNIVERSITY OF MINNESOTA**

Mr. EVERETT. I am Les Everett with the University of Minnesota with the Water Resources Center. We have to look at what is it the taxpayer can be justifiably constituted by. The first one would be conservation, and that has been addressed. The second one would be the income stabilization. Not income guarantees but income stabilization in the farm community. Then we have to ask if proposed solutions actually make the problem better or worse.

With regard to conservation, that the Conservation Security Act, the standard EQIP program, a return to conservation compliance, and the conservation education can all assist with that. With regard to income stabilization, the main factor seemed to be commodity supports. I doubt that those will actually reach the objective of income stabilization. They do more harm than good. They tend to increase surpluses because they encourage more production and drag down commodity prices. They drag up rents and land prices and reduces, therefore, the ability to survive in poor times. This tracking of the total price, that is, the commodity price plus the support, that relation to rents and income have been documented in the University of Minnesota research.

Those commodities support and reduces flexibility, respond to the market and to diversify into areas like land, alternative uses, and it increases soil erosion and water pollution, as we have seen this year in southeast Minnesota and southern Iowa for our family farms. We need to, in terms of income stabilization, look at more solutions along the line of tax and financial incentives for investment of farm—or in alternative, farm enterprises in the good years, in the good income years, with the option to cash in on farm investments for all farm investments without tax penalty in low-income years. Let's do the income stabilization and financial and tax markets not in the commodity markets.

Thank you.

Senator DAYTON. Thank you.

Senator DAYTON. Welcome.

**STATEMENT OF GERALD TUMBLESON, SHERBURN,
MINNESOTA**

Mr. TUMBLESON. Hello. Welcome, Senators Dayton, Wellstone, as well as Congressman Gutknecht. I often wonder if the Congressman's green bus has anything to do with your bus, Senator Wellstone. Maybe not. I like the idea that you are looking at this farm bill with a 10-year destination. That makes a lot of difference to a lot of us out here. I have two sons farming and simply for him—when I brought the two sons in farming, I had a lot of problems with the child welfare department since I have done that. I do think that once you can put it into a 10-year program, farmers will adapt. This 1996 adjusted from the day it started, and we didn't know where we were. What I like about the 10-year is so I can look forward. I want to compliment the House for putting theirs together with a voice vote. I don't know that that has ever

been done before. Therefore, we have both sides on this issue coming together. The Senate will be able to do the same thing mainly because agriculture has become that important in the United States.

Big business will exist, and if anybody knows about Dupont, they now have eliminated some of the hydrocarbon industries in their department. They have produced carbohydrate industry in their department. They are going that track. Now, we as farmers understand that. We are going to move in that direction, but we want to own it. We want to own it not as farmers but as rural communities. Rural communities are the farmers and the people living out there. We can do that if we have some tax incentives or some way to put that together. The reason for that is we can crop this land because we are efficient in energy when we do that. Our leaves on our corn plants are taking energy from the sun and convert. We are making ethanol with 100 Btus to get 135 Btus back. The hydrocarbons use 100 Btus and get 85 Btus back. We in agriculture are going to be able to do that. We are going to be able to do it with our root structure, with our holding the soil. New Orleans is built on our topsoil before we had crops here. We have to understand where the environment is going and where we are heading. I am totally confident that you are going to do that. I thank you very much for having two Senators on the Ag Committee.

Senator DAYTON. Thank you.

Mr. GUTKNECHT. We do have copies of summaries of the House-passed version. He made a point. It is an important point. That the ag bill that passed out of the Ag House Committee did pass, I believe, on a unanimous vote. It was a voice vote. If there was a no vote, we didn't hear it, which is really revolutionary. We look forward to the Senate bill when it comes out and to negotiate with them. Anybody who wants a copy of this, if we run out, Dick is holding up some in his hand up there. Before you leave, grab a copy and at least take a look at it. It is not perfect, but we were able to get it passed on a voice vote. When you start looking at the differences in agriculture around the country, that is a remarkable thing.

Senator DAYTON. Thank you.

Senator DAYTON. Welcome, sir.

STATEMENT OF LARRY LARSON, SARGEANT, MINNESOTA

Mr. LARSON. Thank you, Senator Wellstone and Senator Dayton and Congressman Gutknecht, for the opportunity to express our views here this afternoon. I am Larry Larson from Sargeant, Minnesota. I also represent Mower County Farm Bureau. We farm in Sargeant family farming with my brother, his two sons, my son, and my wife. We are in livestock and corn and soybeans. We also have a commercial grain and feed elevator. I spend most of my time with the seed end of it since my son came into our business and also do crop advising with my seed customers. I have about 100 seed customers that I work with each year and get a good opportunity to see and kind of understand how they are doing in their farming operation. Not only that, how they are doing economically and what they do need. I do have quite a few young farmers that are quite strong farmers in our community, although

the present farm program has given enough dollars to keep this going, but one of the things that I fear happening is if they lower the dollars on the commodity programs on these people that there would be real difficulty in larger farms coming in and taking over. At the present time it is just about holding its own. The only people I see dropping out in our area are those that are more of an older age and part-time farmers, and it is just easier to rent out as compared to that.

I would like to see those dollars keep coming in whatever form you have to work at to do that. I also think more work needs to be done in the area of conservation. That is really important. We haven't addressed that properly, and there is a lot more we could do there. One other thing is basic research. More emphasis needs to be put on basic research. My time is up, but dollars need to be put there.

Thank you.

Senator DAYTON. Thank you for honoring the time limit. Thank you.

Senator DAYTON. Welcome.

**STATEMENT OF RICK HANSEN, INVER GROVE HEIGHTS,
MINNESOTA**

Mr. HANSEN. Thank you. Distinguished members of the committee, my name is Rick Hansen, and today I am speaking on behalf of the Minnesota Association of Soil and Water Conservation District and also the Dakota County Soil and Water Conservation District. What I would like to say is that conservation is the key to a broadly publicly supported farm bill. Farm policy needs to have broad public support. Speaking here for the Minnesota Association of Soil and Water Conservation districts, we represent 89 districts with 455 local elected officials, urban, rural, and suburban soil and water conservation district supervisors. We are here to offer a partnership working with NRCS conservation to implement conservation practices.

I would like to focus just on three general areas and then provide written testimony for the committee. First we would like to maintain a voluntary incentive-driven approach to help private landowners and managers protect their soil, water, wildlife, and related resources. Two, we would like to increase local leadership. That involves implementing the programs, setting priorities, developing policies, and advocating natural resource conservation management. Third, we would like to correlate conservation program funding with implementation funding. Whether it is called technical assistance or implementation dollars, when the programs are there, there needs to be that assistance to put the projects into the ground. Often that may not be there when farm programs are developed.

Again, having thought implementation dollars, speaking on behalf of the Dakota County Soil and Water Conservation District, I want to indicate that we support the Federal Farm Conservation Security Act that was introduced by Senator Harkin, and that was also supported by the urban region, area four, of the Minnesota Association of Soil and Water Conservation District, and I have the resolution for that. Then finally I have the names and addresses

of 34 folks who signed a petition who couldn't be here today to increase the Conservation Reserve Program from its current 36.4 million acres to 45 million acres. I would ask for your support for that.

Senator DAYTON. Thank you. We will submit that to the record, Rick. Chairman Tom Harkin, that is his area, so you will be sure he will support your bill. Thank you.

[The prepared statement of Mr. Hansen can be found in the appendix on page 118.]

Senator DAYTON. Welcome.

STATEMENT OF RONALD BEHOUNEK, HAYFIELD, MINNESOTA

Mr. BEHOUNEK. My name is Ron Behounek. I farm in Dodge County with an 18-year-old son and a 24-year-old son. They told me I was wasting my time coming here, but I told them I am coming anyway.

Senator DAYTON. Thank you.

Mr. BEHOUNEK. The current Farm bills really aren't saving the family farmer, but boy, are we saving agribusiness. Monsanto, John Deere, Pioneer, the whole lot. Are they going to talk about conservation? I want to have some input on my own farm. I don't want somebody coming and telling me what I have to do and exactly do as they say. I want to be part of that decision.

The next thing, if you want my sons to farm, you are going to have to close one big tax loophole, and that is using agriculture land for tax shelters. That has driven up farmland like you wouldn't believe. I have seen it done. I have seen guys that get a huge amount of money for a piece of land that they happen to own up by the Cities, come down into southern Minnesota here, and pay whatever they have to because they are going to save taxes. Every real estate man hears about it, and it is all worth that.

The next thing is I am one of the lucky ones that has a 2-acre patch of wetland. There are no frogs. There are no crawdads. There is no water on it. It will raise corn. It is kind of a difficult place to get to. It really raises ragweeds real nice. This 2 acres is causing flooding for another 10 acres. The water that washes onto it, it brings the ragweeds on it, so I have to use more chemicals to kill them doggone things. Is that what the environmentalists want?

I guess that is all I have to say.

Senator DAYTON. Thank you.

Senator DAYTON. Welcome.

STATEMENT OF MIKE MUELLER, WINTHROP, MINNESOTA

Mr. MUELLER. Senator Wellstone, Senator Dayton, and Representative Gutknecht, my name is Mike Mueller. I am from Winthrop, Minnesota. I am the ag loan officer in the State Bank of Gibbon. My wife and I are farmers and landowners in Sibley County. We participate in the Conservation Reserve Program and have land in the successful reinvested Minnesota and the Conservation Reserve Enhancement Program. Thank you for this opportunity to appear here today to talk to you about the conservation title to the 2002 Farm bill.

I am a strong supporter of the Conservation and Wetland Reserve Program, and they should be reauthorized and expanded in the next Farm bill. It has been my experience as a loan officer that

CRP helps the risk by cash-flow for farmers. Farmers and land-owners that have a portion of their farm in the Conservation Reserve Program are simply better off on a cash-flow standpoint. We all are rewarded from the environmental and wildlife benefits. In my opinion, the recent changes in the CRP encourages farmers to plan more diverse cover types that have strengthened the program and have proven excellent wildlife habitat. In addition to the economics that will be provided by CRP payments, farmers and land-owners can address serious water quality problems on a voluntary incentive base approach to participating in the ongoing CRP buffer initiative and Minnesota prep program.

Continuing these successful programs should be a top priority in the next Farm bill conservation title. In my view, conservation programs provide valuable opportunity for family farmers. The ability to diversify their farming operation through conservation programs may allow them and future generations to continue the farm legacy.

I see I am out of time. Mr. Chairman, I work in a small ag bank and in a small rural town, and in my experience conservation programs are one of the most successful agriculture programs. I would encourage you to reauthorize and expand the programs like CRP and WRP and to extend opportunity to incorporate these conservation-priced programs on all farms, specific CRP with the wetland reserve program and the new farmer wetland 100,000-acres programs also.

Thank you.

[The prepared statement of Mr. Mueller can be found in the appendix on page 124.]

Senator DAYTON. Thank you, Mike, for speaking from a lending perspective. That is very helpful. Thank you.

Senator DAYTON. Welcome.

STATEMENT OF BARBARA UPTON, FOUNTAIN, MINNESOTA

Ms. UPTON. I am Barbara Upton. I am a retired teacher. I live on 40 acres in Fillmore County. I wrote a letter to the editor, and I encourage all of you—you all have something important to say. I hope you are writing to the editor. This is one that I wrote in March of this year. "Please, please, Fillmore County residents, stop and think before you open our area to developers and/or new residents on 10-acre wood lots." Now, I am quoting a previous article in the Fillmore County Journal. Now, in the year 2001 we have fertile land, plenty of woods, and relatively unpolluted air and water. This will all change as rapidly as the population increases. Do we want another suburb here in these very erodible hills? Water should be the key to our decision. Whether it is either too much, as in flooding—we have had 2 years in a row experiencing that—or too little, which is drought. Pollution often takes years to detect, sometimes only aftereffects, such as fish killed, are observed. Last spring gave us an example of flood damage when the gravel roads were washed out needing help from FEMA to pay for repairs.

Now, in late August 1964, I moved into this area, rural southwest Minnesota, from Riceland. I brought my belongings in a big truck. There was no hay available here. The so-called corn was about a foot high. It hadn't rained all that summer. Wells were

going dry. Many springs dried up. Neighboring farms had water hauled in from the Preston creamery using milk trucks for their livestock and themselves. Apparently the lowered water table could not handle the needs of the population that lived here in 1964. What will happen with many more wells using the water?

Senator DAYTON. Thank you. You are able to submit that—if you want to submit any additional comments for the record, please do.

Ms. UPTON. I do recommend this book, "Mad Cowboy." This is from Howard Lyman. He was sued, along with Oprah, for talking about the potential for mad cow disease, and he is very much involved and hoping to save the family farm. He used to be a corporate beef producer. He is now venturing all over the world.

Senator DAYTON. Thank you, Barbara. Thank you very much.

Senator DAYTON. Welcome.

STATEMENT OF DWIGHT AULT, AUSTIN, MINNESOTA

Mr. AULT. My name is Dwight Ault. I am from Austin. I have farmed for 40 years, and I appreciate this opportunity. We need a hell of a lot more dialog in this United States than we have, and this allows some. I am in general livestock. I am partly organic, not quite all this year, but anyway, mixed livestock and small crop farmer. I have been quite sensitive toward the treatment that the small farms have been given, and they have been talked about by everybody, when Wendal Barry says the politicians talk about saving the family farm, but nobody does anything about it. These people we have here today are an exception. Pray God I hope you are, and I wish you luck.

My biggest hang-up or my biggest gripe about the Federal program presently is the LDPs. If I offend somebody—and I probably will—I don't know why in tarnation heck we haven't talked about it. Because LDPs are the most unjust—and I should read my editorial because I had one in the Des Moines Register yesterday on LDPs. They are the most asinine attempt for justice. I don't know why they were ever born. They play no part in helping the smaller farmer. I don't know why people haven't griped about them before. I suppose, like me, we get a little bit compared to a lot to the large farmers or the corporate farms, but we don't want to complain.

I am going to give—I see I am just about out of time and—

Senator DAYTON. If you want to submit your editorial for the record—

Mr. AULT. Yeah, I will leave you the editorial. In conclusion, it is time that we really take to heart where we are going in the United States. I see Monsanto running the Midwest and running the East along with Cargill, along with Pioneer and Dupont, and when are we going to say enough is enough. I mean, we keep going, and it is time that people raise hell if we don't get some decent legislation. The monkey is on you three peoples' back along with a lot more of your compatriots. I really think that we are due.

Senator DAYTON. We will raise heck anyway. Thank you.

Senator DAYTON. Welcome.

STATEMENT OF LARRY GREEN, FULDA, MINNESOTA

Mr. GREEN. My name is Larry Green, Senator Wellstone, Senator Dayton, and Representative Gutknecht. I would also like to thank

Mr. Peterson for bringing that famous picture here today. Because, Senator Dayton, you asked for a solution in that picture. There is a very big solution in that picture. A little over a year ago, we were right close to that facility with President Clinton. That was sponsored by all the famous commodity groups that were going to save us with PNTR with China. Today we get a nice little blow. They canceled 13.2 million bushels of beans, stuck it in my pocket. This year now all we are hearing is biodiesel, carbohydrates, and a whole bunch of other crap.

Your solution is very simple. We are down to about \$80 billion in a farm bill. We pay in about \$16 million a week, \$14 to \$16 million a week in checkoffs. The national defense budget runs around \$400 billion a year. You people should hire all these commodity groups. Maybe they could get the national defense down to \$200 billion, and we would have some more money around this country.

Thank you.

Senator DAYTON. Thank you.

Senator DAYTON. Welcome.

**STATEMENT OF ROBERT M. AUSTIN, NEW PRAGUE,
MINNESOTA**

Mr. AUSTIN. Senators, Congressman, my name is Rob Austin. I am from New Prague. I am a taxpayer, and what I would like to see is I would like to see stopping the use of money for the overproduction of the corn and beans and start using this money for conservation of soil and water and wildlife conservation. I also would like to see—stop listening to the Soybean Growers Association and the Corn Growers Association—they seem to be the only two that I see in the newspaper—and start listening to people who are more in favor of the sustainable organic drink marketing type of agriculture. The farmer, land stewardship project people, Minnesota Institute of Sustainable Agriculture, Institute for Agriculture and Trade Policy, and the Minnesota project. Above all, here's the big one, the taxpayer. There hasn't been any—we make up 99 percent of the population, and we have had no input into this thing.

I know I am being politically incorrect here, but I am a 61-year-old pissed-off taxpayer who is tired of not being able to have his say in how this money is being spent in our farm program. I would like to address this to the Senators today. I would like to see, for no better choice of words, this farm road show—have one in the Metro area. There should be two of them. There should be one in the southern part of the Metro area and one in the northern part of the Metro area. We have one here, 25, 30 miles from the Iowa border. We need to have something that is more up in the Metro area where the taxpayer can have his input into this thing, too.

Senator DAYTON. Paul suggested that, too, at the Worthington hearing. That is an excellent suggestion. We are going to try and put this together.

Mr. AUSTIN. You are going to do this thing?

Senator WELLSTONE. Absolutely. I will tell you something. This is exactly the right place today, and it is great of the legion to let us do it, but first of all, it is a healthy thing that you are a, quote, 63-year-old—

Mr. AUSTIN. Sixty-one. Don't make it any worse.

Senator WELLSTONE. I just wanted to see if I could get you more pissed off. 61-year-old. You look 31. How am I doing? I will tell you, I am absolutely convinced—I wrote a note to Mike, and of all the things I have heard today, I keep hearing conservation. I have never been at more farm gatherings, Mark and Gil, in the last year where I have heard more people talk about land stewardship and more people talk about conservation and more people talk about the whole question of credits including for doing good practice of land in production above and beyond CRP. The religious community, Bishop, is going to be key to this. We have to have one of these gatherings where we have farmers and rural people coming from all over the State of Minnesota to Metro with total Metro media focus on the whole—the direct connection between land stewardship, conservation, decent price, real competition, the quality of food, the affordability of food. The key for this for people that don't live in the farm and rural areas, we have to bring them in. we can, and we are definitely going to have a major, major committee hearing up there.

I just want to say that these articles that you work for the fellows, the ranch bothers down in Cannon Falls, to me that is what agriculture is all about, and this is what direction we should be going.

Senator DAYTON. Thank you.

STATEMENT OF ROGER DALE, HANLEY FALLS, MINNESOTA

Mr. DALE. Good afternoon, Senators Wellstone, Dayton, and Congressman Gutknecht. I am Roger Dale. My wife and I have a family farm in Yellow Medicine County. We farmers produce something everybody needs to survive on: wholesome food.

Minnesota is an ag State. I truly believe that policymaking has made it to grass-roots level, and hopefully today things will get done here. With the representation in the Ag Committee, we have a golden opportunity if we can get our thoughts together. I would like to thank you for the work you have done in the past and hopefully for what will be done in the future. I would like to thank you for working for the Soybean Growers, ASA, for listening to them, for the soybean loan rate. If it wasn't for them, a lot of us wouldn't be here. Thank you, folks, for coming out today, and have a good trip home.

Senator DAYTON. Thank you very much for coming over from Yellow Medicine County. Thank you.

Senator DAYTON. Welcome.

STATEMENT OF CHRIS C. PETERSEN, VICE PRESIDENT, IOWA FARMERS UNION, CLEAR LAKE, IOWA

Mr. PETERSEN. Thank you. My name is Chris Peterson. I am vice president of Iowa Farmers Union.

Senator DAYTON. Thank you for coming.

Mr. PETERSEN. Yeah, they keep letting me come across the border, so I will just keep coming.

We need to get away from a system here, a farm policy that eliminates independent family farmers. This has been the trend for years. I want to talk about a couple of points. One of them that

hasn't been brought out today is campaign finance and lobby reform. As a bunch of us out here, we are tired of our family farms being compromised away by political crop streaming. It is time to quit this. We have the largest hostile takeover going on in the world, and it is the corporate takeover of our Government, and we need campaign finance reform now. We need the vote to count and not the money. I will add that if we don't get this changed, corporate greed will be the downfall in this democracy. Jerry told me that on his way up here, and I believe it came from his heart.

Family farmers are a lonesome and separated bunch these days. Our voice is not being heard. Farm Bureau and commodity groups don't represent us anymore. These are the people that endorse freedom of farms. They gave 80-cent hogs. They can't even honor a vote, the MPC, along with Veneman. They gave us cheap grain, more concentrations, and a lot less family farmers and pork producers. We need a voluntary checkoff program. I will keep that short. Let's vote with our money.

Another thing I want to talk about quick is the Quick program. We need that targeted to family farmers, the corporate animal factories. They can use the record profits to comply within the laws of this nation and clean up their own messes. We need rural stability and growth along with ample supply of safe quality food raised by the right people, and that is the family farm. Keep up the fight. You guys are doing great.

Senator DAYTON. Thank you for joining us.

[The prepared statement of Mr. Petersen can be found in the appendix on page 127.]

STATEMENT OF WALT PRIGGE, BYRON, MINNESOTA

Mr. PRIGGE. Senators Wellstone, Dayton, Representative Gutknecht, ladies and gentlemen, my name is Walt Prigge from Byron, Minnesota. I did not come here today to comment on the closed farm bill. I rather came here to pose a question to our United States Senators, that being: How do you reconcile your support for agriculture on your shoulders here today with your lack of support for infrastructure, capital infrastructure building that is obviously needed for agriculture in rural Minnesota, i.e., the DM&E Railroad and your lack of support for the infrastructure of the DM&E Railroad?

Senator DAYTON. Well, I don't oppose the DM&E Railroad. It has got to be structured so that, first of all, it hauls grain commodities rather than coal from Western States through our heartland. Second, it has got to be structured in a way that it doesn't get rammed down the throat of—whether it is downtown Rochester, which is the most important economic engine of Olmsted County, and certainly the Mayo Clinic and other operations there, and find some alternative route that is not going to wreak that kind of hardship on others. If you want to go up and watch the coal trains progress through northern Minnesota and bypass communities and spew coal dust and back up traffic and everything else, if you want to invite that down here, I wouldn't support that.

Senator WELLSTONE. We could go back and forth on this. I don't disagree. I don't see anything in contradiction. It is interesting. I met with the DM&E people and have tried to get some clear lan-

guage about their transportation of grain. I haven't seen any clear language and clear commitments that they are going to provide that transportation.

I, second of all, think a whole lot of communities—and not just Rochester—have every reason in the world to worry about where they are going. Third of all, I will tell you something else. Part of the case for DM&E—and this is just an honest disagreement we have above and beyond the point you raised. I am glad you did it because you had every right to. The other issue is part of this is based upon the assumption that coal is a big part of our energy future. I see the big part of our energy future not more coal and more acid rain and more warnings in manuals that we shouldn't eat fish if we are small children or women expecting children. I see more of the future being ethanol, biodiesel, wind renewables. I am not at all convinced that this is a great project for the country. That is why I don't support it.

Mr. PRIGGE. Just one further comment. Surface transportation has to see that the operation of the public railroad is in the public interest. Let's not kill it.

Senator DAYTON. I am not proposing to kill it. I am proposing to say, first of all, instead of bringing 30-, 40-unit coal trains a day through downtown Rochester and other places, it would have a devastating affect on the quality of life and the economy, which is crucial to this region of the State. They have to find a routing design for it that is going to not only conform to common sense but also to conform to the way in which these communities are now structured. Rochester is too big and too important to be a railroad way station for unit coal trains.

Unknown Speaker. Let's face it; you are selling out the farmers for the city of Rochester for their vote.

Senator DAYTON. I don't have to face anybody's vote for 5-1/2 years, so I just dictate to my conscience and what is best. It is hard in these kinds of situations, but you make sure that these projects serve the rural interests and the agriculture industry. You are not being able to fill the bill of goods to bring unit coal trains from Western States right through here and down to La Crosse. Make sure you are talking about corn operations going through for Minnesota and soybean transport and not just unit coal trains. Whatever the project is.

Mr. GUTKNECHT. We have been debating this for 2 years; we are not going to resolve it in 2 minutes. Thanks, Walt.

Mr. PRIGGE. One more point.

Senator DAYTON. Last one.

Mr. PRIGGE. Rochester also needs coal for its electrical generating plant. They use somewheres now between 600 and 900 cars of coal a year, plus whatever we truck in, plus the energy that was generated elsewhere by coal. That becomes viable lines for the city of Rochester. Thank you.

Senator DAYTON. Thank you.

**STATEMENT OF GARY JOACHIN, CLAREMONT, MINNESOTA,
AND ON BEHALF OF MINNESOTA SOYBEAN GROWERS
ASSOCIATION**

Mr. JOACHIM. Good afternoon. I would like to thank Senator Wellstone, Senator Dayton, and Representative Gutknecht for the opportunity to be at this hearing. I am Gary Joachim, a soybean, corn, and small independent hog farmer in Claremont, Minnesota, where I farm with my wife. I am here today on behalf of myself and also the Minnesota Soybean Growers Association. First, the Soybean Association looks forward to providing input on the Farm bill and which we have done in written testimony in the commodity provisions. What I would like to do today is talk about energy and biodiesel.

As a soybean farmer, I am extremely optimistic about the role that plant-based annually renewable fuels like biodiesel will play in the national energy plan. Of course, as we all know, biodiesel is an environmentally friendly renewable alternative to petroleum-based diesel. It can be made from any vegetable oil, reprocessed animal fats. Just for that reason it is very environmentally friendly.

Minnesota hopes to lead the way in the promotion of production of the biodiesel. When our legislature in Minnesota reconvenes next February, it is going to take up unfinished legislation that would require the inclusion of 2 percent biodiesel and diesel fuel sold in the State of Minnesota. On the national level, we strongly support and appreciate the legislation introduced by Senator Dayton, and that would encourage and prompt increased use of biodiesel fuels nationally. We think that Senator Dayton's bill will compliment your State effort and positively influence the Minnesota Legislature to adopt the 2-percent mandate. I also want to thank and express appreciation to Senator Wellstone, Representative Gutknecht, as well as basically the whole Minnesota Congressional contingent for their commitment to biodiesel. We have a goal of getting more of our energy from the Midwest and less from the Mideast. I don't think we are going to have to send the Navy and the Air Force out to guard our fuel as it goes from Minnesota to California.

Fighting only decreases our soybean profitability. I don't think anyone in the U.S. Senate has done more than Senator Wellstone did to promote soy-based ink and originally for Government printing. It is now the industry standard. Soybeans wouldn't exist today if it wasn't for the investment farmers initially made in their checkoff, and the same is true for biodiesel where soybean farmers through their checkoff have invested millions of dollars.

Incidentally, the soybean checkoff boards are feeling the pinch of these low soybean prices at least as much as the farmers because their income is based on farm value before LDPs and any other kind of payments.

Thank you for this opportunity.

[The prepared statement of Mr. Joachim can be found in the appendix on page 135.]

Senator DAYTON. Thank you, Gary.

Senator DAYTON. Welcome.

STATEMENT OF DONOVAN STROM, FOUNTAIN, MINNESOTA

MR. STROM: Thank you for speaking here today. My name is Donovan Strom, and I am from Fillmore County. People have talked about a fish kill; I am involved in one right now. About a year ago I got sweet corn from Seneca here out of Rochester, and the juice went in the creek and killed three fish, and MPCA and DNR said supposedly 650 minnows, which they don't even know. I have been threatened. I have been going through everything. I have had my name strung through the nut on the Austin Press. I mean, I don't see anybody else going through this. I had to sell my cattle in January in Lanesboro sales barn and on June 16th this summer. I can't blame them entirely, but when they come, it doesn't help you try to do a business. I had them living in my yard. They were like a KGB, and I felt like I was in jail for 2 weeks. I mean, we had to clean up these puddles and stuff. It wasn't fun. I don't want to be polluting; I don't think anybody else does. What you go through with these people is terrible. They promise things to you, and it doesn't follow through. There is a deal going through the works right now, and I don't know if I believe them or not. You got neighbors turning in neighbors, like with the Reiland deal and myself. It is a very poor system. I mean, there are other people that are doing the same things that we were doing, or I was doing. They were going to expand. I got caught in the fish kill, which is bogus.

I mean, I did have a problem. I want to get it resolved. That is when you are a jerk and you are treated like a drug peddler or a murderer. It is got to be better than this.

Thank you.

Senator DAYTON. Thank you.

STATEMENT OF BERT BOWMAN, EDEN PRAIRIE, MINNESOTA

Mr. BOWMAN. My name is Bert Bowman. I am pleased to be here with you, Senator Wellstone and Senator Dayton and Representative Gutknecht. I was born and raised in Brazil. I have a Dutch background. My grandparents was a farmer in the Netherlands but not doing too well with the farm economy, moved to Brazil, and I farmed—my grandfather farmed down there. My parents are still farming down there. In 1995 my brother decided to join the farm, and I didn't feel too comfortable with the situation at that time. I came to the States in the student program and met Mr. Peterson. We are still working together. The point is I am a farmer. No matter if you are a farmer in Brazil or here, we all need to make a profit. I wish for my parents to have a good price, and I wish for myself here with Mr. Peterson to have a good price. We are all here for profitability. How to do that?

I am a new farmer. I hope to be a farmer and farming with LDP. It is a wonderful thing right now, but I don't wish to live on LDP the rest of my life. The price of those soybeans can still go down. How strong is the Government to keep pumping up money? How much can they give? Should they give my grain to Cargill and go to the Government and get all the money I need to survive? I don't feel comfortable. We need two things. Production management. How can we do it? I don't know if it is possible. I believe in production management, and we need to do so. To do so, we need coopera-

tion with other countries. Brazil is promising already a 10- to 20-percent increase in soybeans. That is going to drive our price lower, and as well, how are we going to be able to have less production management without their cooperation? Cooperation is throughout the whole idea.

We have to be aware of the destruction of competition. We need to worry about how much more land is opening in Brazil and other countries. They are destroying my dad in Brazil itself and here, too. Thank you for being here and listening to all of us.

Senator DAYTON. Thank you very much. A Brazilian farmer with Dutch heritage here in Stewartville. It is a one-world economy. Thank you.

STATEMENT OF BRUCE BIEDERMAN, GRAFTON, IOWA

Mr. BIEDERMAN. I am Bruce Biederman from Grafton, Iowa. I have what they call a zero-cost farm program. It is a zero-cost production loan program for all storable commodities. Basically I would have no specific program crops. Everything would be a program crop. Cotton, wheat, corn, whatever. I have been conferring with Dr. Neil Harlo down in Iowa State on this over the past year, and also Friday night I got a hold of former Secretary of Agriculture Bob Birkland, and I kind of model it a little bit after how he started it, and I tried to kind of fill in the problems that he had with it. The main thing different is that I would have no LDP; it would all be loan. After the first 9 months when the loan came due, the product would be—if it was not at or about loan rate, would be put into a reserve. The reserve would be used to regulate how much production would be encouraged the next year.

I call it support and not subsidy, and I would support up to a certain-size farming operation, and then after you get so much under loan or in the reserve, you would be on your own, or you would not be supported anymore. You could switch crops. That is the main thing I want to try to do, is make every crop equally profitable so no matter what you do, you can either set aside and build-up your land or pick another crop, which would, of course, mean investment. That is the summation of what I have to say.

Thank you.

Senator DAYTON. Thank you. You have to submit a copy to me.

Senator WELLSTONE. You Iowa folks are smarter than I thought you would be. Welcome.

STATEMENT OF TIM HENNING, LISMORE, MINNESOTA

Mr. HENNING. Senators, Congressman, my name is Tim Henning. I am from Lismore, Minnesota. I have been farming for 26 years. I have been through GATT, I have been through NAFTA, and now I am going through the WTO. Every time one comes up, I get screwed. Right now NAFTA is going on. I feed cattle. My cattle buyer came out, and he says, "We are not going to be bidding for your cattle now because we can get Canadian cattle." He says, "Have heart. In about 30 days we will have the Canadian cattle slaughtered, and we will be in the market for yours."

Today the Chinese told us to take our beans. We don't want them. Before the meeting I called home; soybeans are down 16 cents. They announced that they will have 3 million metric tons of

corn to go on the market. Corn is down 5 cents. My wife and my mother work off-the-farm jobs. What I lost on my 15,000 bushels of beans and my 30,000 bushels of corn today I have to go home and tell my wife that she has to work the next 400 hours for nothing. Please take that into consideration the next time you make a foreign trade deal.

Thank you.

Senator DAYTON. Thank you. Powerful statement. Thank you.

**STATEMENT OF LAWRENCE M. PREDMORE, ROCHESTER,
MINNESOTA**

Mr. PREDMORE. My name is Larry Predmore. I am not representing anybody. I came to listen. I raise beef cattle, and I am a large-animal veterinarian. When I started 20-some years ago, if I would have been at this meeting all afternoon, I would have had a lot of upset plans because I wasn't out there doing something. Nowadays—I got three or four calls I am going to have to do after this meeting, but they are all going to be hobby farmers. I am going to go over there after they got done working in town. They are supporting their hobbies by having jobs in town. I am not smart enough to know what the answer is, but I know if I was trying to make a living on the land we were farming, I would be a lot skinnier than I am. The vet business pays for my farming habit. My wife has a good job in town, so we are doing OK. It is not from farming. I am farming about 10 times what my grandfather used to farm, and I am a hobby farmer. I don't know what the answer is, you are going to have to go away from spending all your money on corn and beans and trying to figure out a way of getting some of this land out of production and get it into hay and into pasture, or whatever, and kind of cut down a lot on your erosion. One of my client's big worries and that is tangling with the Pollution Control Agency and other Government agency. We spend more time worrying about that than any of our other projects.

That is basically what I have to say except I live in a little town south of here, and we have been there since 1853. When the railroad came through Rochester, we were all upset out there because it went that way instead of coming our way. Now they are mad because they want to improve it through town, and they want to shoot it out our direction. Again, one or the other would be fine, but I personally don't think that it is going to destroy Rochester if that train goes through right where it is been setting.

Thank you.

Senator DAYTON. Thank you, Larry.

Senator DAYTON. Amber's father.

STATEMENT OF BRIAN HANSON, RACINE, MINNESOTA

Mr. HANSON. That is right. My name is Brian Hanson. I farm 10 miles south of here, and I am Amber's proud father; that is correct. I am here to talk about biodiesel. As you have heard today, there are concerns in rural America, and as Senator Scheevel mentioned, we need to create opportunities. We can't just address all the concerns and think backward on some things. We need to be proactive and create opportunities for all of us, just as Mr. Scheevel said.

One of these opportunities is definitely biodiesel. You have heard my daughter and others talk about biodiesel today, and I wanted to bring it to my personal experience on the farm with it. For 2 years now I have been blending biodiesel myself. Contrary to what I was told, it is not going to work. I get methosoy in barrels, so my economy scale is not very good right now, but I have been through 3,300 gallons of pure methosoy, which is the technical name, and I have been blending that with diesel on my farm and neighbors' farms and getting the word out. As they said, it isn't going to work in the winter. My tractors wouldn't run. Well, I plowed snow all winter with it, and I haven't had a problem yet if I take normal precautions. It is not easy to blend. That is true. It is very difficult. I have to pour it in the top of my fuel tank. That is pretty difficult. It is truly that simple. Energy balance. You heard mention of ratios earlier today of like 1.34. Biodiesel has an energy balance of 3.24 to 1. I would challenge any fuel to meet that. Maybe they can, but it is very good energy balance.

My neighbors want to be a part of that to create a market so that we don't export all this oil or beans or do something with it. It is simple, and it is common sense. I like simple. We need to be proactive. There is frustration. We are 2 percent of the population. We fight amongst ourselves, but we need—this is one step. I can't cross this room in one step. I have to take steps, go around chairs, or whatever. That is one step to the answer of cleaner air. I would like to thank especially you, Senator Dayton, for your legislation to promote biodiesel, and I would like to offer you my assistance in any way we can to help you reach the goal of getting biodiesel, even if you come to my farm and see that my tractors do run.

Thank you.

Senator DAYTON. Thank you very much, Brian. I mean what I said. You and Amber can come out and testify, and you can show the members of the committee how to mix the stuff. That would be great. Thank you.

Senator DAYTON. Welcome.

STATEMENT OF BILL McMILLIN, DAIRY FARMER, KELLOGG, MINNESOTA

Mr. McMILLIN. Thank you, Senators and Congressman, for this opportunity. My name is Bill McMillin, and I am a dairy farmer with my wife near Kellogg, Minnesota, near the Mississippi River. I would like to give to you for the record a copy of Present Day Agriculture in Southern Minnesota. It was written by Geils Randall. He is a soil scientist and professor at the University of Minnesota. He does an excellent job of identifying the issues facing agriculture today here in southern Minnesota.

I was going to spend a lot of my presentation on conservation, but it is been pretty well covered, so I will move on to something else. Adequate farm income continues to be a major issue. Now, lately I have been involved in a grass-roots effort to try and bring collective bargaining into the marketplace. We have been trying to organize farmers, all the farm groups and farmers themselves, into looking at what options we have as far as collective bargaining in the marketplace.

It seems as producers we are the first owner of the product, and we have the right to price it, and we haven't been exercising that right. That is something we need to start doing. If that doesn't work, I would like to see a cap put on commodity payments in the next Farm bill. I would like to see this cap probably in the \$50,000 to \$75,000 range. Maybe if we put this cap on, maybe we can free up some more money for conservation practices which are badly needed.

I am in favor of globalization if globalization means that we could work together as a global community to provide a safe and abundant food supply for everyone and at the same time protect our resources for future generations.

Thank you.

[The prepared statement of Mr. McMillin can be found in the appendix on page 140.]

Senator DAYTON. Well said.

Senator DAYTON. Welcome.

STATEMENT OF AL SCHACHT, ZUMBRO FALLS, MINNESOTA

Mr. SCHACHT. Senator Dayton, Senator Wellstone, and Representative Gutknecht, my name is Al Schacht and I live in Hammond, Minnesota, not too far from here. I recently retired—I shouldn't say recently—7 years ago from the U.S. Forest Service. I am interested in talking a little bit about the conservation programs that are in the Farm bill. In 1985 and 1986, when the first Farm bill was written, it reauthorized and did away with a lot of the authorities and forced them and put them in the Farm bill. Those authorizations are extremely important that we continue them, and some of those are in the Farm Security Act but for stewardship came in a little later—in the 1990's. The stewardship incentive programs, and forestry incentive programs, which is a fifth and sixth programs, they were in there. The forest legacy program. The German forestry program which I chaired the committee that wrote that in 1968, and also for the stewardship program, I was very instrumental in writing that and working with Congress to get the authority put together.

The Farm bill of those conservation programs are working quite well, most of them. If they are working, don't throw them out with the bath water. We need to continue them. We need to enhance them. We need to add a little bit of authorizing funding authority to them so that when the Appropriations Committees deal with them, they do deal.

I have two concerns that I want to bring up real quickly. One is on CRP. Its acres are expiring. Some expire, and then the re-authorization needs to take that up to 45 million. I would suggest 50 percent of it be put in trees. We have very good reason to do that because it doesn't come out of trees when it pulls out.

The other thing is I would like to see a stronger role with conservation districts in the Farm bill.

One quick comment on the House bill. It is silent to some of the programs that I just mentioned. They need to be included and the authorization needs to be upped considerably.

Senator DAYTON. Al, time is up.

Mr. SCHACHT. One point. I noticed in the House bill, you have fire, a community fire program. That is good, Representative Gutknecht. I hope the Senate includes that. When I retired from the foresters, I worked directly with the chief of the Forest Service and was in charge of fire for the county. I hope you all can sympathize with what is happening in the West right now.

[The prepared statement of Mr. Schacht can be found in the appendix on page 141.]

Senator DAYTON. Thank you, sir.

Senator DAYTON. You get an award for patience here. You are the last witness. Thank you.

STATEMENT OF ROD NELSON, CHATFIELD, MINNESOTA

Mr. NELSON. My name is Rod Nelson. I am a family farmer. I live approximately 10 miles east of here, and I represent America. We need to keep our family farmers. As we look back, one of the things that I am afraid is going to happen is that we are just going to end up with kind of an extension of the old freedom-to-farm program. We are going to get 10 years of this, do a little bit of tweaking, throw a little conservation in there, and then we are going to have 10 more years. That just isn't working. Anybody that can look at freedom to farm and say it has been successful, I just don't know where they are coming from. It is the most costly farm program in history by \$10 billion, and yet we have the lowest prices that—well below the cost of production. I don't see where the success is in this program. We need to—there is no other business in the world that runs a business without some kind of a supply management program.

If General Motors has got cars backed up the wazoo, they don't keep making more cars. They shut down for 2 weeks. If John Deere has factories backed up, they don't make more tractors. They shut down. The gentleman from Brazil, he had a good point. We are in a global marketplace. I know there are a lot of you that say, "Well, supply management won't work." Maybe we have to look at this from a world perspective. Maybe we have to try to join together with other major exporters of the world to maybe do something with this supply.

I see I got 30 seconds. I got a son that is 16 years old, and he is just the best son a father could have. He is a straight A student, excellent athlete, and he loves to work with his dad on the farm. I got to the point where I am not sure that I want to encourage him to farm anymore. He can do anything and make a much better living even though the farm life is probably the ideal life in America. We need to make some changes. We need to rewrite this farm program. We need to get some prices. I thank you for listening to us. This is grass-roots politics at its best.

Thank you.

Senator DAYTON. Thank you very much. I would like to give time for some brief concluding remarks. We will go to Senator Wellstone.

Senator WELLSTONE. I apologize. I am going to speak briefly and then leave. I want to—somebody I see in the back of the room. Thank you, Catholic Rural Life. Thank you for being here as well and for all of your work. Archie Bauman is here. I couldn't get him

to speak, but I want to thank Archie Bauman for years and years of speaking out for family farmers. Archie, stand up. We are talking about a great, popular man.

I would like to thank my colleagues for being here, Senator Dayton, Congressman Gutknecht. I would like to thank all of you for being here. I would like to say that I absolutely agree with the last point that was made, and we all express our own opinion. I have always believed that freedom to farm is freedom to fail. I want a new farm bill. I want the focus to be on producers having a leverage to get a price in the marketplace. I don't want us to continue to rely on the Government payments. I have heard a lot about conservation. Southeast Minnesota has been the hotbed of land stewardship in Minnesota. I would like to thank so many of you for leading the way. You have had a prophetic voice—the Bishop was here earlier—in that 1996 statement. The Catholic Bishop talked about how we are all strangers, but strangers and guests on this land, and we should leave it better. That is the direction that we are heading in.

Finally, I just would like to say to you, I heard it earlier about the importance. It doesn't matter what it is, whether it is dairy or whether we are talking about corn growers or wheat or whether we are talking about livestock. There has to be a strong—above and beyond the conservation, above and beyond a loan rate or leverage for farmers to get a decent price, there has to be some strong anti-trust action. There has to be some competition. We have to go after the conglomerates. I wished I could guarantee success, but the only thing I can say—I am speaking for myself. Senator Dayton is giving me a chance to finish up. I can certainly say one thing. Somebody used it earlier. I certainly will fight with all of my might with every way I know how to make sure that this farm bill on the Senate side is as strong a piece of legislation as it can be. Many of us have been through it before. It has been going on. We can't afford another shakeout of family farmers. Then we won't have any left. This is the time to do it. We will just give it everything we have. We are going to need a lot of you all. Before it is all over, I am hoping that around the country there are going to be a lot of huge gatherings in a lot of States putting pressure on all reps, all Senators, Democrats, Republicans, and others to be there for Midwest agriculture. To be there for family farmers, to give us a fair price, to have the land stewardship, to have the real competition, to have an energy policy that makes sense for our country. We can do it. We are just going to have to fight like hell for it.

Thank you, everyone.

Senator DAYTON. Congressman Gutknecht.

Mr. GUTKNECHT. Listen, again, I want to thank the two Senators for hosting this, particularly you, Senator Dayton. It is always tough to follow Senator Wellstone because he does a great job of firing up the crowd. We are going to have some differences as we try to work this out between the House and the Senate, and there are going to be differences over how we go on the conservation titles. There are going to be differences whether we are just going to have a loan rate program in terms of commodity support programs, or we are going to go to the three-piece suit that we have proposed in the House.

I hope you all understand that there are a couple of really important facts as we deal with this at the Federal level. The first is it takes 218 votes in the House; the second is it takes 51 votes in the Senate; and, finally, we need a Presidential signature before anything can change. Just listening today, I am sure all of you realize that while there are some levels of agreements, there are certainly strong disagreements on some of the things that are going to happen. There is not an absolute consensus among farmers. It is more than just railroads that we sometimes disagree about. In order to have any kind of farm policy at all, there are going to have to be some accommodations.

We are certainly willing to work with the Senate, and I am delighted that we were able, at least on the House side, to work on very bipartisan basis. Because the future of agriculture is not a Republican issue. It is not a matter of right versus left. It is really right versus wrong. We really have seen in the past couple years a breakdown in world markets. When you have overproduction for 4 consecutive years, I really don't know what we could have done in terms of farm policy that would have prevented that. We do share one thing in common, and that is that the future of agriculture is incredibly important to the economy of southeastern Minnesota and, as you have heard today, to the soul of the people of this country. Because there is something about farmers that are very special. I hope we never lose it. We will do our best at the Federal level to try and keep that flame, that flickering flame, of hope alive in American farmers' hearts so that next year perhaps can be a little better than this one.

Thank you so much.

Senator DAYTON. I want to thank Paul and Gil for being part of this. I want to thank all of you for being here. Thank you for our patience. I have now been 7 months on the Senate Agriculture Committee as the Senator, and I had great admiration for farmers before I joined the committee, and now I must say I am in awe. I have never seen an array of such complicated, interrelated, interwoven programs that you all have to contend with every day and every year of your life. Some of these universities that give degrees for the experience, life experience and so forth. If that were the case with agriculture, every farmer with 10 years of success or even survival would have to get a Ph.D. in Government programs and a master's degree in applied economics and a bachelor's degree in meteorology. Then every year you are asked to take the kind of financial risks that investment advisors and stockbrokers take, and for all that you get paid less than minimum wage. I mean, it is just unbelievable to me how involved all of this stuff is.

Having said that, that is where we are. I am humbled by the fact that for 60 years, people smarter than I am, more experienced than I am from both the political parties and all political persuasions, have tried to get these programs right with good intentions, and here we are today.

This kind of input, a hearing like this for 3 hours, shows, first of all, the real expertise with people like yourselves who are the farmers and producers and those involved. Second, that there are a lot of outstanding ideas. I hope we can synthesize all that and work together with the House and come up with something that is

going to deal especially with getting prices in the marketplace to levels where farmers can make a good profit in the marketplace, which, coming from a business family, I know, is what any businessman or woman needs to survive. Somebody said to benefit the taxpayers, whatever the shortcomings of the previous programs, we have to get back to a market-based agricultural economy for this country and turn you loose to produce as efficiently as anyone in the world. I look forward to working with you and Gil and Paul as well.

Thank you very, very much, and we will conclude the hearing. Thank you. Have a good day.

[Whereupon, at 4:20 p.m., the committee was adjourned.]

A P P E N D I X

AUGUST 20, 2001



MINNESOTA CATHOLIC CONFERENCE

475 UNIVERSITY AVENUE W. • ST. PAUL, MINNESOTA 55103-1959
 PHONE (651) 227-8777 • FAX (651) 227-2675 • e-mail: info@mncc.org

Dear Chairperson:

I am Bishop Bernard J. Harrington, the Roman Catholic Bishop of the Diocese of Winona, Minnesota. The Diocese covers the 20 counties of Southern Minnesota. I am pleased to have an opportunity to submit these comments on behalf of the Minnesota Catholic Conference and in the name of the Catholic Bishops of the six dioceses of Minnesota.

Our perspective is based on our belief in the dignity of all people as they are created in God's image. For people to live a dignified life, they must have an adequate and safe food supply. For us, food is not just another commodity in the grand economic scheme. It is essential for life itself and as such should be viewed as a common good and not be controlled by a few corporations or by government. For us food is a moral issue. How food is produced is also important since we need not only a bountiful harvest, but a safe and sustainable one as well. So, care for the land is as critical as what it produces.

These underlying principles (human dignity and human rights, the search for the common good) are what drive our policy priorities. In our view, the basic goal of the food system is to ensure an adequate supply of nutritious food in an environmentally responsible way to meet domestic and international needs and to ensure the social health of our rural communities.

The bishops believe that such a farm system will generate government policies that give priority to small and moderate-sized family farms and the widespread ownership of farm land. In past years we have heard politicians speak about aiding the small moderate size family farms. But each time the federal farm bill favors large farms and discriminates against the small family farm.

As you formulate the farm bill from your hearings on this issue, we urge you to be guided by principles drawn from the United States Conference of Catholic Bishops' 1986 pastoral letter: Economic Justice For All:

...moderate-sized farms operated by families on a full-time basis should be preserved and their economic viability protected. Similarly, small farms and part-time farming, particularly in areas close to cities, should be encouraged. There is genuine social and economic value in maintaining a wide distribution in the ownership of productive property. The democratization of

ARCHDIOCESE OF ST. PAUL/MINNEAPOLIS • DIOCESE OF CROOKSTON • DIOCESE OF DULUTH
 DIOCESE OF NEW ULM • DIOCESE OF ST. CLOUD • DIOCESE OF WINONA

decision making and control of the land resulting from wide distribution of farm ownership are protection against concentration of power and a consequent possible loss of responsiveness to public need in this crucial sector of the economy. Moreover, when those who work in an enterprise also share in its ownership, their active commitment to the purpose of the endeavor and their participation in it are enhanced. Ownership provides incentives for diligence and is a source of an increased sense that the work being done is one's own. This is particularly significant in a sector as vital to human well-being as agriculture.

We are concerned that U.S. agriculture policy does not adequately promote widespread ownership of farmland. In our judgement, current policies have resulted in a concentration of farmland which is detrimental to the interests of farming, to the vitality of rural communities and to the environment. This is a matter of policy choice, not economic inevitability.

We believe that this concentration is a result of farm policy that rewards high yields (achieved by heavy use of chemical inputs) over land stewardship and channels scarce research funds towards chemically and, more recently, biotechnologically-based agriculture and away from sustainable and organic farming techniques.

The current system leads to highly capitalized farming operations and the concentration of farmland and ownership (eliminating smaller yet till highly efficient producers). Furthermore, the phenomenon of vertical integration has siphoned off profits from the farmer and given them to the companies that control the other links in the food system: Processors, packagers, marketers and retailers.

In fact, over the last couple of decades the farmers share of the agricultural dollar has remained flat while the costs of production and the marketing share have increased. Many small and moderate sized farms tied to a major processor or packer have the ability to withstand a smaller profit margin on production because they can make it up in other areas of their business.

We encourage you, therefore, to look seriously at the entire farming system in this country. We believe that we must begin to more carefully craft a system that supports family owned and operated farms that are efficiently run and take advantage of the latest sustainable agriculture technologies.

Towards this end, we offer several general recommendations:

- 1) Create more mechanisms for beginning farmers to secure loans.
- 2) Shift a substantial portion of research funds away from a conventional chemical-based and more modern biotech-based agricultural system to research that uncovers sustainable farming

practices

- 3) Continue to analyze the current market system that appears to be vulnerable to manipulation by giant agribusiness companies.

Additionally, there must be more concerted attempts to tie the price farmers get for their produce to the cost of production. We have heard compelling stories of the desperate situations of farmers. Markets must be transparent and fair to all who wish to participate and that they not be open to manipulation by a few large traders. We also noted that with the increasing trend toward contract livestock production, it is essential that such contracts are fair and consistent so the farmer does not assume most of the risk.

Finally, I wish to make clear our concerns for minority farmers who have lost farms at a disproportional rate to non-minority owners. In this same vein, I continue to be concerned about the least among us in the agricultural system: migrant farm workers. There are still many labor abuses perpetuated by some farmers, processors and labor contractors. We enjoy the bounty of the labor of migrant workers. In turn, we need to be sure that they are offered decent housing, medical care and freedom to join labor organizations of their choosing without the threat of summary firings or intimidation by the growers and processors.

In summary, these issues involve tremendous moral considerations: the ability to feed a nation and the world safely and sustainably, the long-term health of productive land and the survival of our rural social fabric all depend on this Farm Bill. I thank you for the opportunity to present the views of the Catholic Bishops of Minnesota on these issues.

Statement of
David Ladd

On Behalf of

Farm Credit Services

Before the

United States Senate
Committee on Agriculture, Nutrition and Forestry

Stewartville, Minnesota
August 20, 2001

Mr. Chairman and members of the committee, Farm Credit Services would like to thank you for bringing the Senate Agriculture Committee to Minnesota. We appreciate that you recognize the important role lenders play in rural America and welcome the opportunity to provide testimony regarding the credit title of the upcoming farm bill.

As you know, the lending community has an interest in issues facing farmers. Over the past few months you have heard from countless individuals and farm organizations with suggestions and recommendations for the next farm bill. The members of the Senate Agriculture Committee and your colleagues in the House of Representatives have evaluated a wide variety of proposals ranging from countercyclical payments and target prices to conservation and trade. Although the Farm Credit System has a keen interest in each of these areas, we have today chosen to focus on proposals to strengthen the credit title of the next farm bill. You cannot separate the important issue of affordable and accessible credit from the broader issues of commodity programs, conservation, trade and rural development.

As you know, the Farm Credit System is a nationwide financial cooperative that lends to agriculture and rural America. Congress created the system in 1916 to provide American agriculture with a dependable source of credit. This includes financing for land, machinery, housing, seed, feed, chemicals and other needs. Multi-peril, crop-hail and life-disability insurance are also available, as well as record-keeping services, tax preparation and estate planning. We are a privately, farmer-owned cooperative which serves a public good.

Access to affordable credit is one of the primary issues facing agriculture and rural America. It is also an issue the Farm Credit System is uniquely qualified to address. For example, in a 2000 study released by the Minnesota Legislature to assess the dairy climate in that state the issue of access to capital was identified as one of the core challenges facing the dairy industry¹. Although dairying is a capital-intensive business, such concerns are indicative of the need for capital in rural America. This is particularly true among young, beginning and minority farmers and ranchers-as well as those seeking to modernize their operations.

What follows are several recommendations we believe Congress should consider when writing the Credit Title of the next Farm Bill:

1. Increase the limit on Farm Service Agency (FSA) guaranteed loans any one individual from \$750,000 to \$1.5 million. The current limit is restrictive on many family farm operations, especially dairy and pork producers.
2. Increase FSA funding for interest rate buy-downs on guaranteed loans to small/young/beginning farmers.

¹ Conlin, Bernard J. *Minnesota Dairy Climate Study and Strategic Plan*. Minnesota Department of Agriculture, 2000.

3. Raise the ceiling on low documentation FSA guaranteed loan applications from \$50,000 to \$150,000. This provision is included in the House version of the next Farm Bill and should be retained.
4. In addition to the existing direct loan program, authorize a guaranteed lending program for on-farm storage.
5. Reduce the paperwork burden now associated with the assignment of USDA benefits. At present, the Department of Agriculture requires that the lender and borrower sign an FSA assignment form and file it with the local FSA office each time Congress authorizes a new payment program (as occurred in 1998 - 2001). This process could be simplified by:
 - Authorizing FSA to create a blanket assignment form that would cover all USDA program benefits.
 - Allowing the assignment of USDA benefits without using an FSA assignment form. Instead, allow the lender to protect his position by a Uniform Commercial Code (UCC) filing on program benefits in the same manner as a security interest is obtained in other contractual transactions.
6. Include report language to express the intent of Congress that programs designed to assist small/young/beginning farmers are fully funded to meet the needs of all who fulfill eligibility criteria.

Mr. Chairman, it is critical that credit issues be addressed when Congress considers the next farm bill. As a primary source of credit to farmers, the Farm Credit System is an integral part of our rural communities. However, far too often lenders are left out of the equation when issues affecting rural America are debated in the halls of Congress. That is why we commend you for listening to the lender perspective and thank you holding this hearing in Minnesota to discuss the issues facing farmers and our rural communities.

Minnesota Milk Producer Association Notes
Presented at
Senator Mark Dayton and Senator Paul Wellstone
Agriculture Hearing
August 20, 2001
Stewartville, MN

Hello, and thank you for the opportunity to speak here today. My name is Delbert Mandelko. I am a dairy producer from nearby Preston and the President of Minnesota Milk Producers Association. As many of the people hear know, MMPA is the only statewide organization that exclusively represents dairy farmers. We have approximately 3000 dairy producers across the state as members. On behalf of our members, I wish to layout several issues that are crucial to our industry.

MMPA's board of directors identified several core federal issues to focus on from resolutions passed at our Annual Meeting this past March.

First, we ask that Congress close the loopholes imports of product and restrict imports through quotas and tariffs on products such as Milk Protein Concentrates (MPC) and casein.

This is not just a regional issue. National Milk Producers Federation has been pushing to limit the imports of Milk Protein Concentrates as well. Six years after the implementation of GATT, U.S. imports of MPC have risen more than 600 percent, while other nations are jealously guarding their markets against any milk protein products. During calendar year 2000 U.S. imports of Milk Protein Concentrates were equivalent to approximately 350 million pounds of U.S. produced nonfat dry milk in terms of milk protein content. In addition during 2000, imports of Casein and Caseinates were equivalent to about 745 million pound of U.S. produced nonfat dry milk. The importation of these products undermines every producer in the United States.

Furthermore, we ask that all imported milk derivative products be mandated to pay the 15 cent per hundredweight check-off. The bill that recently passed the House applies a mandatory domestic dairy promotion assessment to dairy products. Importers of dairy items will have to pay the equivalent of 15 cents per hundredweight on products they bring into this country. We ask the Senate to do the same.

Second, eliminate pricing mechanisms that create unfair barriers within the United States. We applaud and encourage all producers to pursue a fair price. However, we do not want a system that helps producers in one region when it is at the expense of producers in another region.

Instead, Congress should provide a pricing policy that treats all producers in all regions adequately. An example would be to establish a National Pool. In fact, MMPA feels the Federal Order System has helped to created regional barriers and a very fractured dairy industry.

Third, increase the enforcement of Federal standards for butterfat and Solids non Fat (SNF) content in fluid milk.

In fact, Congress should consider taking it a step further and raise the Solids Non Fat standards in fluid milk. This policy alone would take an enormous amount of Non Fat Dry Milk off the market. Most importantly the dairy industry would be providing a more nutritious, better tasting fluid product to the consumer.

Fourth, Supply Management programs, if proposed and implemented, must be thoroughly researched to assure that all regions of the U.S. are impacted and treated fairly.

Fifth, MMPA supports the continuation of a true milk price support program, where the price is set at least at today's level. The support price helps stabilize dairy prices and secures a reliable domestic supply of milk and dairy products for consumers.

Sixth, we ask that Congress consider the implementation of a national Johne's Program. The research title of the House Farm Bill authorizes a new Johne's disease control program. This takes a big step toward improving biosecurity of the dairy industry. In order to greatly improve the dairy farmers ability to manage Johne's, we need to do more than just research and control the disease. We need a program that will help us eliminate the disease from our farms NOW.

Lastly, MMPA is willing to openly debate and consider any specific proposal that may come forward as the farm bill debate continues. We believe it is important to remain open and positive in the discussions. It is beneficial to producers across the Country to be willing to put forward a bill that respects dairy producers in all corners of the United States.

Thank you for the opportunity to briefly express Minnesota Milk Producers position toward Federal Dairy Policy. I will be happy to entertain any questions.



Canton Office:
Loni Kemp
RR 1 Box 81B
Canton, Minnesota 55922
Phone & FAX (507) 743-8300
lkemp@tc.umn.edu
www.mnpj.org

... dedicated to sustainable
development and environmental
protection in rural Minnesota. Our
mission is to increase the viability of
rural communities

Board of Directors:
David Benson
Kathleen Corley
Ernie Diedrich
Mary Hanks
Linda Peck
Jennifer Struemeke
Lansing Shepard
Sr. Kathleen Storms
Molly Wochlin

Staff:
Diane Jensen
Executive Director
Loni Kemp
Sr. Policy Analyst
Lola Schoenrich
Sr. Program Director
John Lamb
Resource Specialist
Carl Nelson
Program Assistant
Kathleen Davidson
Office Manager/Designer
Beth Waterhouse - Editor
Community Connections
Lansing Shepard
Forestry Consultant

Statement of

Mike McGrath

**On behalf of
The Minnesota Project**

To the

U.S. Senate Agriculture Committee

Hearing in Stewartville, Minnesota

August 20, 2001



Good afternoon Senator Wellstone and Senator Dayton. My name is Mike McGrath and I would like to thank you for this opportunity to speak to you about the federal farm bill. I am testifying on behalf of the Minnesota Project, which is a member of the Sustainable Agriculture Coalition and the National Campaign for Sustainable Agriculture.

In addition to my work with the Minnesota Project, I am also a journalist for a small rural newspaper, covering local political and agriculture issues. I am also, by today's standards, a small farmer. On our 250-acre farm overlooking the Root River Valley, we raise beef calves for the local market and hardwood trees for the future generations.

I am here today to testify in support of the Conservation Security Act, a bill whose time, I believe, has come. I would like to thank you both for your support in cosponsoring this important conservation legislation.

The Conservation Security Act offers a fresh, new approach to federal farm assistance. Unlike the previous farm legislation that provides incentives for fence row to fence row production of high-impact corn and soybeans, or the Conservation Reserve Program that retires marginal land, the Conservation Security Act provides incentives to diversify a farm's land use practices to enhance conservation benefits, without providing disincentives to production.

Everywhere we go in Ag country we hear about federal farm policy. Everyone seems to realize the important role the federal government plays in assisting farmers through times of low prices. Phrases like "safety nets," "emergency payments," and "loan deficiency payments" are as common around local diners as they are in the halls of Congress.

But many believe that government payments to farmers must also be accountable for the incentives, or disincentives, which they provide. Many believe that a farm policy that provides billions in assistance must not serve to just enhance the growth of an industrial agriculture that ignores rural communities and the environment, but offer a constructive return on the investment to the taxpayers who foot the bill.

Our farm straddles the bluffs above the Root River near Lanesboro. During the latter half of May 2000, we received torrential downpours over several days that resulted in a 100-year flood event that devastated thousands of acres of farmland in the valley of the Root. The federal government provided millions of dollars in relief to cities and townships.

At the time of the flood, many fields along the river were being cultivated in corn and soybeans, the crops that farmers "chose" to plant under the "freedom to farm" legislation. Despite the low prices, that is where the money is. At least that is where the federal money is.

Those floodwaters destroyed many fields, washing away millions of tons of exposed soil resources. Yet today, one year later, many of those fields are back in corn and soybeans; rebuilt by heavy construction equipment last fall and made ready for spring planting. The

subsidies for these crops are so great that we are literally “building” fields where Mother Nature has said “no,” so that we can harvest the federal assistance dollars for these privileged crops.

Meanwhile, on my farm the 100-year storm did little damage. All of our land is in permanent pasture, hay, new tree plantings or old oak forest, all of which soak in the rainfall and slow its flow so that there is little runoff or erosion.

Here in Southeastern Minnesota, farming is changing. In an area that has long been characterized by diverse livestock and row crop farms, grassland is fast disappearing. As the pastureland disappears, livestock are moved onto confinement lots where large accumulations of animal wastes loom threateningly over our water resources. Neighbors are pitted against neighbors over odors.

In spite of the historically low commodity prices, there is increased pressure on farmers to produce even greater amounts of these commodities, knowing that the federal government will provide the margin that the market cannot. The consequence of this kind of policy has had a devastating impact upon soil and water resources.

It is time for a change.

We believe that it is time for federal farm assistance to provide stewardship incentives for working lands. The Conservation Security Act provides stewardship incentives that promote on-farm conservation practices that will enhance and protect soil and water resources and wildlife habitat, and **that** will be good for all Minnesotans.

Current conservation programs provide financial incentives to farmers to install practices, yet little, if any, funding is available for producers to maintain the practices. Although the cost-share funding provided in programs like EQIP are critical to helping farmers protect valuable resources, the added costs of maintaining these practices can often provide disincentives to already financially-strapped family farm operations.

The Conservation Security Act would allow farmers to voluntarily enroll their working lands in conservation plans that provide for five and ten year renewable contracts. These contracts would pay the farmer for the environmental benefits that are generated from the practice they have installed, compensating him for the extra time it takes to maintain the practice, and helping with the revenue foregone through the implementation of the conservation program.

We believe that it is time to level the playing field so that farm assistance is spread more equally among all farmers, not just those who produce specific commodity crops. The provisions of the 1996 farm bill, the current AMTA program and its corresponding emergency payments, are based on the historical production of commodity crops in the pre-1996 farm program.

If a producer grazed beef cows, rotated his crops for forage and fed his corn to finish the animals, then he probably didn't have a corn base, or corn production history, and therefore there are no payments for him. Yet he constantly faces cyclical prices in the livestock market that threaten his security.

If a family farm which milks 200 cows has always fed its corn to the cows and produced resource conserving forage crops, then the 1996 farm program wasn't for him either. Yet he, too, faces constantly changing prices that threaten his farm's security.

If a producer raised organic produce for local markets, or sold his grass-fed beef directly to consumers or retailers, then there are no payments for him either.

The Conservation Security Act allows all farms to enroll in a conservation security plan, regardless of crop histories.

And finally, we also believe that the new Farm Bill should reward farmers who are already doing a good job protecting resources, because they, too, contribute to our agricultural heritage and face the same market constraints as those who maximize commodity production without regard for conservation.

Many farmers are already rotating crops, converting to grass-based livestock production, installing grass waterways and buffer strips, planting trees and wildlife food plots, protecting wetlands, and implementing soil nutrient testing programs.

The Conservation Security Act allows these farmers to enroll their existing conservation practices into a Conservation Security Plan, providing financial incentives for these farmers to continue to provide important environmental benefits to all of us.

Now is a historic opportunity for the U.S. Senate to pass a farm bill that is based on sensible goals and realistic outcomes. The House Agriculture Committee failed miserably in their attempt.

As members of the Senate Agriculture Committee you can show extraordinary leadership in making conservation the centerpiece of the next Farm Bill. The Conservation Security Act is a good bill for Minnesota's farmers, and it is a good bill for Minnesota's environment.

Thank you.

Mike McGrath
P.O. Box 311
Lanesboro, Mn. 55949
(507) 467-2416

Prepared statement of
Minnesota Rural Partners
 Marcie McLaughlin, Executive Director
 on behalf of
 State Rural Development Councils
 before the
 U. S. Senate
Committee on Agriculture
Regarding the *Farm Bill*
 August 20, 2001
 Stewartville, Minnesota

Senator Dayton, Senator Wellstone and members of the Committee, I am pleased to be here today representing America's state rural development councils (SRDCs) to provide you with some of our thoughts related to the Farm Bill and other items relative to rural America and Minnesota.

The first state rural development councils were established over a decade ago to help the US Department of Agriculture and the federal government advance provisions of the *Rural Development Policy Act of 1980* which called for greater coordination in the formulation and administration of rural development policies and programs. Today, SRDCs operate in 40 states and, with the Washington-based National Rural Development Council, comprise the National Rural Development Partnership (NRDP).

Thank you both for your support of Minnesota Rural Partners and the National Rural Development Partnership by co-sponsoring the National Rural Development Partnership Act. We also thank you for your continuing support to include the NRDP in the appropriations bill and into the Rural Development Title of the Senate Farm Bill language.

Minnesota Rural Partners is involved in many areas that impact rural Minnesota. Our most recent event, the Joint International Summit on Community and Rural Development, held last month in Duluth, is an example of how we can convene and stimulate discussion and action. We appreciated the presence of both of your staff members at this important event. Over 1200 individuals from all over Minnesota, 47 states and 15 counties attended. Many of these folks participated in our on-line survey, ruralpolicyforum.org. Respondents had several questions to answer. The entire unscientific survey is available. The three policy statements with the highest agreement in order are:

- Rural areas much diversify economically if they are to survive in the long run.
- Agricultural policy must more fully recognize its linkages to a wider set of rural development issues
- Federal and state government must help local leadership build the community infrastructure they need for successful rural development.

As the federal farm policy is rewritten, we encourage inclusion of each of these points. This can occur as we focus on what Minnesota Rural Partners calls our five northstars for Rural Minnesota; Energizing Entrepreneurs, Leveraging the New Agriculture, Closing the Digital Divide, Sustaining the Landscape and Boosting Human Capital. As federal agencies work together for rural places, we will see coordination of programs authorized in several committees including the Agricultural committee.

Here are some examples of our recent work.

Marcie McLaughlin, Minnesota Rural Partners 507-637-2010
 Testimony to the Senate Agricultural Committee August 20, 2001

Rural Entrepreneurial Academy

MRP works to engage and energize all types of entrepreneurs: civic, social and business. With the assistance of the Kauffman Foundation for Entrepreneurial Leadership, MRP convened the Rural Entrepreneurial Academy, a group of entrepreneurs and public sector representatives charged with identification of challenges and solutions to issues that face rural entrepreneurs. Recommendations from the Academy have been presented to the governor and the Minnesota legislature. Significant policy challenges will result from this work and continuation of the Academy's efforts will be evident in entrepreneurial leadership and training programs available through educational institutions in rural Minnesota.

MN Farmer's Market Hall

Working with the Minnesota Department of Agriculture and the membership of the St. Paul Farmers' Market, plans are underway to preserve and expand the existing market to create an indoor, year-round market facility and an affiliated statewide network of rural growers. MRP's early work, in partnership with USDA Farm Service Agency (FSA) and the Minnesota Food Association (MFA), has produced very tangible results. The New Immigrant Project, for example, has provided the first FSA loan to a Hmong farmer to purchase land in Carver County.

E-Commerce Training Corps

MRP partnered with the University of Minnesota Extension and AT&T Communications to establish an E-Commerce Training Corps. By providing small business training and information about advanced telecommunications capabilities to rural residents, demand for those services will increase.

As Senator Wellstone stated at Farm Fest last week, we are at a point in this globalizing world where we need new rules. Who holds the center of communities when decisions are often made far from home? The past farm bills were written for the realities of the time. With many new realities for rural places in the United States, we need a new approach. No one Congressional Committee or Administrative Department has overall responsibility for rural policy and rural program integration reinforce the need for new rule - new policies.

Minnesotans value place and that value is reflected in the character of the people and natural resources unique to each region of the state. It is also reflected in the commitment by the entire state to build visible and invisible infrastructures to keep people prosperous in their communities.

As policy makers, your challenge has been and will continue to be shaping place based policies, while maintaining overall concern for the entire nation. To do this, we all must understand today's new "rural realities" and their impact on broader policy considerations.

Rural Minnesota, like the rest of rural America, has at least five new realities:

1. "Rural" is much more than agriculture; and the future success of our nation's family farms are critically linked to the economies of rural communities.
2. The rural economy has strengthened and is growing, but remains fragile and uneven
3. While the economy of rural Minnesota, in general, has improved, persistent pockets of rural poverty remain.
4. The 1990's rural population shifts are fascinating and significant

5. The relationship between federal, state, and local governments, and government revenue streams, have a major impact on rural areas.

We will have a prosperous Minnesota when all of Minnesota prospers; and it will take strong and creative leadership to build on the assets of each region.

You have heard often about the changes and challenges of those changes in Minnesota's demographics and economy. Many questions and policy consideration arise with this information.

- Southwestern and western Minnesota demographics are giving us an idea of what the entire state, as well as the country, will look like in twenty years with the aging of the population. What impacts will that aging population have on the health care delivery system in isolated rural areas? What are the effects on the young that do remain in these areas regarding educational opportunities? Can we consolidate further? Where will the teachers come from?
- The increases in the Non-English speaking populations are in urban areas and pockets of rural Minnesota. How does an individual community deal with the accelerated needs of education, housing and health care because of the population increase? Where do both rural and urban communities turn to find assistance with these issues?
- Much of rural Minnesota's past economic prosperity came from its natural resources; timber, mining, agriculture. We saw earlier that in 1978 8.8% of the state was engaged in these sectors; in 1998 it was 2.4%. How does the economy of these rural regions diversify in this era of globalization? Certainly, diversification of the economy will be critical. Continuing reliance on federal agricultural policy will not cause prosperity in rural Minnesota. A rural policy for both the state and the nation is, indeed, needed. And perhaps, not limited to a rural policy, but a community policy.
- And what is the impact on both rural and urban communities, for that matter, all of Minnesota, with the higher than the national average of women in the workforce? (55/70) How do we maintain our invisible community infrastructure of child and elder care and volunteer supports?

Leaders, from both the public and private sectors of Rural Minnesota, have concentrated much of their efforts over the year on these five north stars for rural policy.

Leveraging the New Agriculture

Agriculture will remain a key sector to the rural economy, but is not big enough to assure growth in all of rural Minnesota. This new agriculture incorporates new technologies and advances as well as the ever-expanding specialty markets through farmer owned cooperatives and direct marketing.

Closing the Digital Divide

All of the state, including the most remote corners, needs to have affordable and high-speed access to the Internet and the skills to effectively use that connectivity. How will telecommunications reform impact the most isolated areas?

Sustaining the Rural Landscape

When does rural development become urban sprawl and how does a community hold on to its rural landscape when it experiences rapid growth?

Energizing Entrepreneurs

Minnesota has a history and reputation of being entrepreneurial in business development, philanthropy and politics. How can we use that tradition as we enter the new century? How does the state encourage investments, incentives and innovations? Entrepreneurs is key to this states' economic development strategy and there are numerous outstanding examples of success in rural places. Transferring technology development from the labs to the field, is a natural investment in the future.

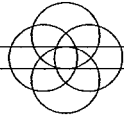
Boosting Human Capital

And speaking of INVESTMENT, we must invest in the individual...early and often. Whether a new immigrant, young child, and incumbent worker or an aspiring local leader . . .

The majority minority 2nd grade classes now in the Minneapolis, St. Paul, Worthington, and Pelican Rapids school system will be graduating and ready to vote in 10 years. Will our investment pay off?

Minnesota will prosper in 2010 if and only if all of Minnesota prospers. It is very possible, but can't accomplish alone as an individual. One Minnesota will occur by engaging local elected officials, including the county and school boards in all 87 counties and 350 school districts, and city, tribal, private and non-profit leaders . . . And citizen leaders who are the million volunteers in our state communities.

THANK YOU FOR SERVING your constituency and your state and working on behalf of the people of Minnesota. And thank your for the opportunity to speak to you today.



Crossroads Resource Center

P.O. Box 7423 / Minneapolis, Minnesota 55407 / USA / 612.869.8664
 <kmeter@crcworks.org> <<http://www.crcworks.org/>>

Tools for Community Self-determination

Testimony by Kenneth A. Meter

Senate Agriculture Committee Hearing
 August 20, 2001
 Stewartville, Minnesota

Who I am

My name is Ken Meter, and I am president of Crossroads Resource Center in Minneapolis. I thank you for your invitation to testify this afternoon.

My father was born on a struggling farm in Nebraska 98 years ago. His birthplace has since been plowed under. My mother was born into a small lumber town in Michigan that prospered and then struggled due to boom and bust cycles. From these roots I know something of the realities of rural life.

I worked as a farm journalist from 1978 to 1994, covering the farm credit crisis of the 1980s for journals such as *Ag-Weeks*, *Successful Farming*, and *The Farmer*, and reporting on business news and agricultural trends for Reuters News Service. During that time I filed first-hand reports from farm communities in 12 nations. I also taught reporting at the University of Minnesota, and international food issues at Metropolitan State University in St. Paul.

Crossroads Resource Center has worked alongside community-based groups since 1972. This winter, we were asked by Hiawatha's Pantry Project in Lanesboro to study the farm and food economy of seven counties in Southeast Minnesota.

Our study uncovered some disturbing facts that we *all* need to know if we are going to write effective farm and rural policy in 2001.

This is both a story about the *Southeast Minnesota region* and a story about our *nation*.

Our main finding

Our main finding is that this *region subsidizes the national economy*. This happens because the economic structures, under which residents produce and purchase food, systematically drain wealth out of the region.

This subsidy will not be news to most farmers in this room. But no one in America, to our knowledge, has measured these losses before. We learned these subsidies are immense.

Testimony by Kenneth A. Meter to Senate Agriculture Committee, August 20, 2001

Our study

Our study began with a few simple questions. We wondered why, in this region that produces more than \$1 billion of food each year, the town of Houston recently spent two years without a grocery store. We wondered why, when 8,400 local farmers are struggling to make a living, local residents spend half a billion dollars each year buying food from distant suppliers. We wondered why farm families work two or three outside jobs merely to cover the costs of producing commodities.

After looking at the numbers, we discovered that local families lose \$800 million each year as they grow and buy food.

This is a very conservative figure, but a staggering total, equal to 20 times the amount brought into the region by farm subsidies.

It would not have to be this way. The region's food consumers are a formidable market. If they bought all their food from local farmers, they could support 12,000 part-time farms. This is 3,500 more farms than the region now has.

Even small changes could make a big difference. If local residents purchased only 15 percent of their food directly from local growers, this would create a stream of \$45 million of new farm income—more than all federal subsidies given the region's farmers in 1997, and one-third of current net farm income.

I would hasten to add that Southeast Minnesota is not unusual. Similar stories could be told of almost any rural region in America. In many regions, in fact, the numbers could look even worse, because Southeast Minnesota farmers have been pioneers in soil conservation, and the economy is more diverse than in some rural locales.

And while it is very humbling to realize how vast these issues are, our study was written with the understanding that we can only reverse losses once we know how large they are, and what causes them. Solid data like this is terribly important to have, for only then do we know how to act effectively.

How to use our findings

It is important we use these findings, not to wallow in despair, but to re-cast the farm debate. This is a time to focus on rural communities as a whole, not simply on farmers.

Farmers go to the federal well because there is water there, having weathered a severe economic drought that has plagued farm families for 30 years. But it is not enough to give farmers more water. We must also fix the buckets that farmers use. We must build new economic structures that stop these leaks once and for all. This is not a time to quibble about whether farmers have asked for too much water. It is a time to ask, is the water safe to drink? Who ultimately gets the water? And how do we build buckets that do not leak?

I was extremely pleased to learn, when I attended the farm hearing in Worthington on August 4, that farmers are asking for the choice to *leave* the capital-intensive economy. I am also pleased to hear farmers in Southeast Minnesota asking for the chance to build a *parallel food economy*—one that feeds people instead of corporations, one that protects soil and water rather than damaging them, and one that builds wealth for rural residents, rather than extracting wealth from them.

Testimony by Kenneth A. Meter to Senate Agriculture Committee, August 20, 2001

These farmers are not asking for an income stream from the federal well. They are asking for water that *gives life*. These farmers are asking for the federal government to *invest* in ways that build capacities of rural residents, and build wealth in rural communities. Further, they are asking the federal government to *stop* subsidizing economic systems that extract wealth—for surely, transnational corporations have been built upon the payments given to farm families to keep producing at a loss.

Creating federal investments

Rather than being a stream of emergency income, federal farm payments should be *investments* in the Southeast region and other rural regions. These investments should create *new choices* for rural residents, rather than taking resources away. Our regions should build new infrastructure that builds a new parallel food system. We should invest in warehouses, cold storage facilities, processing plants, and markets that route local food to local residents, as well as urban consumers. We should promote new businesses that bring new sources of revenue to the region. We should help farmers develop marketing coops and bargaining units so they have a stronger voice in the market. At core, we should bring those who eat food into direct conversation with those who produce edible foods—so that open market exchanges may set fair prices.

Federal farm payments should ultimately support healthy rural communities. Measures like the Conservation Security Act (CSA) and the Agricultural Community Revitalization & Enterprise Initiative (ACRE) are of vital importance. Responding thoughtfully to the data we collected will be the step that allows such excellent initiatives to be adequately funded.

Good numeric data is also needed

And here I would like to make a pitch for good numeric data. As we prepared our study, we found that, tragically, USDA publishes very little data that allows rural communities to understand what causes their local economies to rise or fall. Given the massive unintended consequences of the Farm Bill of 1996—including of course the \$30 billion that was required in 2000 to support farmers whose livelihoods are weakened by globalization and corporate markets—it is the *responsibility* of the federal government not only to pass solid rural legislation, but also to provide excellent data that allows rural communities to assess the impact of the *next* farm bill on their communities.

Finally, I would conclude by pointing out that *this is not a partisan issue*. This approach should please members of Congress from both sides of the aisle. It supports open markets when they work. It supports a limited government role. Yet we understand that farmers and rural people are perennially set at a disadvantage due to prevailing economic structures—and that farmers will not prosper unless public policy compensates for those structures, or builds new ones that build rural wealth.

Crossroads stands ready to help the Senate Agriculture Committee in any way at your request, including, but not limited to:

- Disseminating this analysis to other Congressional leaders and rural stakeholders
- Working with other rural regions to measure local food and farm economies
- Assisting to develop more detailed farm and rural legislation based upon this testimony
- Defining effective indicators for tracking the health of rural communities across America.

I thank you for this opportunity to address the members of the Senate.

Testimony by Kenneth A. Meter to Senate Agriculture Committee, August 20, 2001

Summary of
Finding Food in Farm Country (2001)

Report prepared by
Crossroads Resource Center
for
Hiawatha's Pantry Project
Community Design Center (Lanesboro)

1. The 8,436 farms in Southeast Minnesota sold \$866 million of farm products in 1997.
2. However, the region's farmers spent \$947 million raising this food. This is \$80 million more than they earned by selling their products!
3. Even more troubling, Southeast Minnesota farm families spend about \$400 million per year purchasing inputs and credit from distant suppliers. Very little of this money builds wealth for local families.
4. Meanwhile, the 303,256 residents of Southeast Minnesota spend \$506 million buying food, almost all from producers outside of the state.

This means as much as \$800 million each year flows out of this agricultural region as local families grow and buy food. Almost none of this money builds wealth in local neighborhoods. Creating a new regional food system is one way to reduce these losses.

This is 20 times the amount of money the region brought in from farm subsidy payments in 1997.

The region's food consumers are a formidable market. If they bought all their food from local farmers, they could support 12,000 part-time farms. This is 3,500 more farms than the region now has.

Even small changes could make a big difference. If local residents purchased only 15 percent of their food directly from local growers, this would create a stream of \$45 million of new farm income—more than all federal subsidies given the region's farmers in 1997, and one-third of current net farm income.

The full report, *Finding Food in Farm Country* (2001), is available for free download at <http://www.crcworks.org/ff.pdf>.

The study covered Fillmore, Goodhue, Houston, Mower, Olmsted, Wabasha and Winona Counties, and used the most recent data available.

Sources: Bureau of Economic Analysis (1997); Minnesota Department of Agriculture (2000); Food Industry Institute (1999); and Bureau of Labor Statistics (1997). Data compiled by Ken Meter, Crossroads Resource Center, and Jon Rosales, Institute for Social, Economic and Environmental Sustainability, University of Minnesota, 2001.

To the United States Senate Agriculture Committee

8/16/01

My name is Sever Peterson. My family and I are fourth generation cash grain farmers. Since 1894 we have also raised fresh market vegetables which means we market them ourselves without contracts. We operate twelve of our own retail markets under the idea of value added.

I believe low farm income, and the causes of low farm income, are the biggest problems in my lifetime as a farmer.

What are the causes of low farm income?

1. Competition: Drive the prices low to break the competition- that certainly hasn't worked! Dominate the market- in reality multinationals, not farmers, dominate the market.
2. Consumer: Further and further separated from the farmer.
3. Consolidation: Multinationals, commodity groups and farm organizations have divided farmers and usurped the economic power of farmers. There is a revolving door between the board rooms of these organizations and USDA. There seems to be a concerted effort by multinationals to control production agriculture for their own interest and profitability.
4. Commodity groups and farm organizations: Who wants to take credit for ten dollar milk, eight dollar hogs, five dollar soy beans and two dollar corn? The main focus of some farm groups has been value added or exports or tax payer subsidies. All are important and should benefit farmers, however, considering the present U.S. production situation, I consider value added to be a feeble attempt to regain lost market power in our primary business - farming. We have also learned that low prices do not add up to increased exports and who wants to operate a business that, without subsidies, has a negative net income.

The "house" of U.S. production agriculture is on fire and we're trying to fix the squeaky screen door. Until farm-gate profitability is addressed the symptoms of low farm income will remain. Most U.S. farmers will have a negative net income again this year without tax payer subsidies. If any of us farmers have any profitability now...what control do we farmers have over keeping any profit? For the last forty five years producer economic power has been eroding and it is non existent today.

Poverty- is also vulnerability, and a lack of voice, power, and representation. I believe

that producer cooperation is the only solution to low farm income. We farmers haven't been able to cooperate, even between ourselves, so the government must help! This could be done through the extension service which could facilitate open and in depth debate and promote understanding between producers. Farmers must have a serious discussion on what will or won't solve our income dilemma and what our future in production agriculture will be.

Nations also haven't cooperated in a realistic workable manner. It's a highly disparate world and nearly impossible to compare or compete as nations, however, we can and must cooperate as nations. We must find an agriculture policy solution that works for all nations. For example how do we reconcile Brazil's \$3.00 a day farm wages compared to U.S. \$3.00 an hour wage benefits.

The question is - Do legislators want U.S. farmers or multinational corporations owning and operating the business of U.S. production agriculture? If we want farmers operating the business, then we must have U.S. and international agriculture policy that is dramatically different from past programs. We need a farm program that will give farm producers the economic power they need to fairly market the products of their farms in the new millennium market place. I believe the only solution for this challenge must come from the United States Senate Agriculture Committee.

This is the time that farmers need statesmen to lead and facilitate the open and frank debates that must take place between farmers for understanding and cooperation in marketing the products of our nation's farms. I am convinced that economic power for farmers is the only future for farmers in production agriculture. I believe it will bring prosperity, young farmers and conservation to our nation's farms and rural areas like nothing else can.

This is a challenge with huge social and economic consequences. The decisions this committee makes regarding U.S. production agriculture, and it's economic power, will affect not only this nation but also the world's social and economic future.

Respectfully submitted,
Sever Peterson

Hi. My name is Amber Hanson. I am 13 years old. I live on a farm with my family in rural Grand Meadow. We raise corn and soybeans on our farm.

My dad is very interested in bio-diesel. He feels that this will help us to continue to farm, by creating more markets for our soybeans.

Bio-diesel is proven to be a much cleaner burning fuel. This especially helps kids because of the fact that school busses run on diesel fuel. Bio-diesel is the first and only alternative diesel fuel to complete all health effects testing. Right now, when we are standing in line waiting for the school bus or riding the bus for 2 hours as many of us do, we are inhaling all the harmful emissions coming from the bus. Bio-diesel reduces harmful emissions and it even extends engine life so our schools can save a lot of money each year by not having to buy or fix as many busses. And there are no equipment costs for busses to change over to bio-diesel. Schools don't have a lot of money to work with so this is a common sense way to protect student's health with cleaner air.

It is a proven fact that everyone in this room breathes air. Why not clean it up with bio-diesel? Even riding a diesel powered bus could be harmful to your health. Do you really want to be sick just from breathing? I know I don't.

It takes the earth 250 million years to replenish it's oil supply. Why take that from the Middle East when my dad and other soybean farmers are growing oil in their fields right here on a yearly basis? You make the decision. Thank You.

ADVOCACY DIRECTOR

Maureen O'Connell

SUPERVISING ATTORNEY

Nancy Mischel

POLICY ANALYST

Khanh Nguyen

OFFICE MANAGER

Colette Bergeron

LEGAL SERVICES ADVOCACY PROJECT

Suite 101 Midtown Commons
2324 University Avenue
St. Paul, MN 55114
(651) 222-3749 Fax: (651) 603-2750

SENIOR PROGRAM ATTORNEY

Barbara Collins

ATTORNEYS

Kathy McDonough
Reggie Wagner

ADVOCATE

Ron Elwood

**United States Senate
Committee on Agriculture, Nutrition and Forestry**

August 20, 2001

Barbara J. Collins, Senior Program Attorney, Legal Services Advocacy Project

Thank you for the opportunity to speak today on a subject very important to low-income Minnesotans, and indeed to millions of low-income Americans, the food stamp program. The Legal Services Advocacy Project represents the interests of low-income Minnesotans served by the legal services programs of our state, through advocacy, technical assistance, and monitoring of public programs and service delivery. We have worked with our state Department of Human Services to improve policies and procedures related to the food stamp program. Since the 1996 enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, our state has been an innovator in developing and implementing policies that enable more families to continue to receive adequate food and nutrition as they move from welfare to work. Under a federal waiver, we combine food assistance with cash assistance in the Minnesota Family Investment Program (MFIP). We have adopted categorical eligibility rules for food stamps that allow families to continue to receive food stamps as their work efforts pay off and they no longer need cash assistance. We have recently simplified our application for food stamps, reducing the number of pages almost in half. Minnesota has used state funds, under the Minnesota Food Assistance Program, to provide food assistance to legal immigrants denied food stamps under federal law. Minnesota has received federal bonuses, \$6.6 million for federal fiscal year 2000, and \$4.5 million in 1999 for its high level of accuracy in operating the food stamp program.

Despite Minnesota's efforts to eliminate barriers to food stamp eligibility and to make food stamps readily available to qualified individuals and families, our state like many others, has seen a pattern of underutilization in the food stamp program, with a decline of approximately 34.7% in the number of recipients between March 1994 and January 1999. We all know the importance of adequate nutrition for all individuals in our state. Our state, and our nation, benefit from a healthy population and workforce. Thus, we in Minnesota have a great interest in the adoption of policies in the federal food stamp program that will allow us to eliminate unnecessary barriers to food stamp eligibility and use, and to increase the participation of eligible families and individuals in the food stamp program.

Some of the key areas for improvement, that I hope will be seriously considered as reauthorization of the food stamp program proceeds, are as follows:

- **Restoring Benefits to Legal Immigrants.** Participants in the state-funded Minnesota Food Assistance Program are legal non-citizens. They often have little education, limited English-language proficiency or difficulties with cultural adaptation, making it difficult for them to become citizens. Most are low-wage workers who are paying taxes. While they are eligible for state food assistance, many are deterred from applying because they know only of the federal barriers for immigrants, and are fearful of the consequences of seeking aid. Every year, advocates for low-income individuals must convince state legislators to find the funds to continue providing assistance for these families. While Congress restored benefits for some legal immigrant children in 1998, this step is not adequate. It still leaves many families and individuals without eligibility, and many more remain fearful of applying. There is no valid policy reason for denying federal food stamps to working families lawfully present in our state, regardless of citizenship status.
- **Improving the Level of Benefits.** In 1996 budgetary cuts in the food stamp program left many elderly, disabled, and working families without an adequate level of food stamp benefits. Possible improvements to restore the ability of these families to obtain adequate nutrition include increases in the standard deduction used in food stamp budgeting, scaling the deduction to family size, and indexing the food stamp benefit to inflation.
- **Making the Food Stamp Program More Supportive of Working Families.** Easing complex procedural requirements and out-moded eligibility rules can help qualified low-income working families maintain eligibility for food assistance. Food stamps can be an important support that not only encourages families moving from welfare to continue working, but enables more low-income working families to succeed without applying for cash assistance. Verification requirements for food stamps should be eased, so that fewer office visits and less documentation are needed. Phone, mail, off-site, and internet based applications and recertifications should be encouraged. Such restrictions as limits on the value of vehicles should be removed. The reality of our transportation infrastructure, especially in outstate Minnesota, is that workers need a vehicle to get to work. One vehicle per household, and possibly allowing one exempt vehicle for each person in the household required to work, would be simpler and fairer than the current complex rules pertaining to vehicle exemptions in the food stamp program.
- **Allowing More Consistency Between Food Stamp and Medicaid Policies.** Good health and adequate nutrition go hand in hand. Without either, families struggling to support themselves will be hampered in their efforts to remain gainfully employed. Allowing states to conform income definitions, and reporting and recertification periods in the Medicaid and food stamp programs will provide a more seamless system of supports for working families.

We at the Legal Services Advocacy Project, along with many other advocacy groups, and state officials, urge that the upcoming reauthorization of the food stamp program result in a program that is simple, understandable, adequate, and accessible. It should continue to be an entitlement program for those who cannot work, such as the elderly and disabled, and a true support for those working families struggling to achieve independence from the cash assistance system.

TABLE XVI

FOOD STAMP UTILIZATION*

Fiscal Year	Average Monthly Households	Average Monthly Recipients	Monthly Issuance Value	Total Value	Average Issuance	
					Per Household	Per Recipient
Actual						
1992	126,310	304,586	\$19,013,562	\$228,162,739	\$150.53	\$62.42
1993	130,695	315,530	19,460,310	239,523,717	148.90	61.67
1994	133,006	318,264	19,630,985	235,571,817	147.59	61.68
1995	132,099	311,372	19,606,320	235,275,837	148.42	62.97
1996	127,729	299,827	18,910,836	226,933,064	148.05	63.07
1997	114,978	271,054	17,067,899	204,814,789	148.44	62.97
1998	98,979	227,092	14,259,448	171,233,380	144.17	62.84
1999	95,047	210,594	14,416,325	172,995,908	151.68	68.46
2000	91,716	198,440	13,958,838	167,506,059	152.20	70.34
2001	91,780	195,193	\$14,187,828	\$170,253,932	\$154.59	\$72.69

Monthly Household, Recipient and Issuance Data

Month and Year		Households	Recipients	Issuance	Average Issuance	
					Per Household	Per Recipient
June	2000	91,601	197,719	\$13,885,805	\$151.59	\$70.23
July		90,852	195,659	13,701,063	150.81	70.03
August		90,560	192,601	13,509,817	149.18	70.14
September		90,781	194,846	13,937,890	153.53	71.53
October		91,081	194,295	14,260,900	156.57	73.40
November		90,552	191,492	13,936,510	153.91	72.78
December		90,545	193,141	14,109,480	155.83	73.05
January	2001	91,442	193,156	14,269,984	156.06	73.88
February		91,299	192,073	13,930,320	152.58	72.53
March		92,528	196,249	14,480,635	156.50	73.79
April		93,239	198,365	14,669,496	157.33	73.95
May		93,373	196,694	14,413,001	154.36	73.28
June		95,112	203,747	\$15,034,836	\$158.08	\$73.79

*Includes state and federal food issued by MFIP.

Linda Noble *Organic Farmer*
Hog, Dairy Crop Farm
Kenyon MN
Land Stewardship Member

I am here today to stand up for Democracy, My vote and that of 15,951 hog farmers were taken away from us. Who's votes will be next? I am here to stand up for the independent family farm hog producer and get our votes back and end the pork check-off.

We need to change the policies and reject the self-appointed leadership of the commodity groups,

I produce red pork on our farm, which fetches the highest export price, I am forced to pay the pork check-off or pork tax to pay for ads that promote white pork and factory farms.

These commodity groups don't represent me.

The loss of the Family Independent Farm is something that in Europe they understand, It is important to have local food system. We are losing too many farmers each day. We need to support the Sustainable farmers, they are good for the local communities, environment, animal welfare, and economy. The new farm bill should reflect this.

On the news and in papers I read about the spills that kill the fish, or pollute the ground or surface water and the air.

A new report is out the "Cesspools of Shame: How Factory Farm Lagoons and Spray fields Threaten Environmental and Public Health." "This witches' brew of toxins from lagoons and spray fields is polluting our air, lakes, rivers, streams, and drinking water," Robbin Marks, who authored the report. "It threatens the health of farm workers, neighbors and even communities located far away from factory farms, as well as fish, wildlife, and aquatic ecosystems." Read the complete report at the NRDC web site at www.nrdc.org

How many reports has there to be before something is done!

How many people need to get sick! How many aquifers, rivers need to be polluted!

The lagoons of Smithfield Foods, Premium Standard Farms and Seaboard Farms have broken failed or overflowed leading to fish kills and contaminated drinking water supplies. The EPA cannot control these large scale farms. The fines are given but not always paid or are tied up in court for long periods of time. Who will pay for cleanup costs, How do you clean up an aquifers or Hydrogen Sulfide from the Air?

Under its proposed technology regulations at the EPA the agency allows thousands of hog, dairy, and egg factory farms to store liquid manure in lagoons the size of several foot ball fields. Waste waters contain viruses, bacteria, antibiotics, metals, oxygen-depleting substances and other toxins

that run off the land, contaminate the groundwater, and pollute the atmosphere. The report also offers a number of alternatives to the lagoon and spray field system, including wastewater treatment technology and sustainable agricultural practices that prevent pollution.

We need to Support more Sustainable Farming practices, so we don't have to clean up the environment from factory farms.

This Administration needs to show more interest in protecting public health than protecting the profits of corporate agribusiness.

We need a Conservation based Farm Bill, instead of a production based farm bill.

Thank You Future Generations Thank You
Linda Nott

Testimony to the U.S. Senate Agricultural Committee from James A. Riddle, secretary, National Organic Standards Board, chair, Minnesota Department of Agriculture's Organic Advisory Task Force, and member, Organic Committee of the National Campaign for Sustainable Agriculture.

Conservation Security Act:

Congress should implement the Conservation Security Act as part of the 2002 Farm Bill, and begin rewarding farmers based on conservation, rather than resource depletion.

Organic program needs:

The Organic Foods Production Act of 1990 created the initial interface between organic agriculture and the USDA. With implementation of OFPA, the enormous work of integrating and accommodating the needs of organic farmers into existing USDA programs must begin immediately.

USDA must initiate agency accommodations including, but not limited to:

- Re-training of USDA staff, including extension agents and NRCS personnel.
- Incorporation of organic research needs,
- Evaluation and modification of mandatory spray programs,
- Organic crop enterprise budget development,
- Organic acreage, price, and crop data collection,
- Modification of crop insurance, including increasing diversification of eligible crops and farms, and criteria for development of best management practices, and
- Modification of credit programs to include organic agriculture.

This list serves as an incomplete assessment of the many programs that must be adjusted to serve this new and expanding clientele.

This effort will require new dollars and programmatic support to incorporate certified organic production systems into existing USDA programs and infrastructure, and must be systematic and comprehensive to be successful. It should be periodically reviewed by the National Organic Standards Board (NOSB) to encourage the public participation afforded by the transparent operation of this Advisory Board. At present, those currently involved in organic agriculture are best able to evaluate where Agency accommodations are needed.

A triple-track approach to implement this plan is proposed, which first allows for targeted dollars to USDA agencies to make these accommodations, while second expanding the responsibilities for the NOP to ensure that the methods used to incorporate organic within USDA are the most cost-efficient, and third by offering external "training the trainer" opportunities which would help accelerate and monitor this process. General language and dollars must be targeted to ensure that these goals are accomplished.

The Farm Bill Organic package should include at least the following components:

Following are specific examples of program areas where work must be implemented and dollars allocated, to begin to fully incorporate organic agriculture in to the Agency's program priorities throughout the Department.

1. **National Organic Certification Cost Share Program.** The pilot organic certification cost-share should be moved to a permanent, mandatory, 50-state, nation-wide program. This will help mitigate the impacts of the OFPA on current family-size organic producers. The key here is for existing certified organic farmers to be able to get a cost-share check by presenting certificate receipt and certificate.
 - a. The Secretary shall establish a national organic certification cost-share program to assist crop and livestock producers in complying with the National Organic Program authorized by the Organic Foods Production Act of 1990 (7 U.S.C. 6501-6522). The Secretary shall administer the program through the Agricultural Marketing Service and is authorized to enter into cooperative agreements with States. Payments shall be limited to 75 percent of an individual producer's certification costs up to a maximum of \$500/year, based on submission of an organic certificate and receipt.
 - b. Of the funds of the Commodity Credit Corporation, the Secretary shall make available \$4,000,000 for fiscal year 2002 for this program.
2. **Germplasm development for Organic** – It is urgent that federal funds be allocated to adequately address the development and protection of germplasm resources specifically for organic production. Without work specifically targeted to organic germplasm, these resources are in danger of dilution from non-organic sources. Targeted dollars are necessary to promote public plant and animal breeding and selection, on-farm research, and variety and breeding trials to meet the germplasm needs for organic agriculture.
 - a. The Secretary shall establish a national competitive grants program for classical plant and animal breeders to develop publicly held varieties and breeds that meet the needs of organic farmers.
 - b. This initiative shall include incentives for farmers and breeders to participate in grow-out, selection and adaptations of varieties and breeds now held in seed banks. Specific funds to encourage farmers and farmer associations to team up with classical breeders are needed to ensure that the varieties and breeds developed are best suited to meet the needs of organic farmers

\$10,000,000 dollars to be allocated for these programs in FY 2002

3. **USDA accreditation of GMO testing labs.** The Secretary shall instruct GIPSA to accelerate the USDA accreditation of GMO testing labs and publish a list of available low cost and effective test kits for farmers, processors, and handlers.
4. **Mandatory seed testing and labeling of GMO's.** The Secretary shall expand the USDA authority requirements under the Seed Inspection Service to include the mandatory seed testing and labeling of GMO's on the bag tags on seed lots. This requirement will help bring much needed clarity to farmers' seed purchasing choices.
5. **Organic Research Program Recommendations**
 - a. Continued **Authorization of CSREES** Section 406 "Organic Transition Research" competitive grants program. Increase annual allocation to \$5 million.
 - b. (new) **Agricultural Research Service Organic Initiative** - \$6 million for internal ARS allocation. Emphasis on research issues related to NOP implementation (e.g., compost regulations, livestock management)
 - c. (new) **Organic Production and Market Data Initiative** - \$2 million to ERS/NASS/RMA to support crop insurance programs, market development programs, etc.
 - d. (new) **Advanced Organic On-Farm Research and Development** - \$15 million for competitive grants program focused on observation and experimentation on working organic farms, including development of new quantitative tools for agro-ecosystem analysis, equipment engineering for reduced tillage, animal integration, etc.
 - e. (new) **Germplasm Development for Organic Agriculture** - \$12 million for competitive grants to provide classical and marker-assisted breeding for crops and livestock optimized for organic systems.
 - f. (new) **Organic Market Development** - \$5 million for matching grants to develop organic market opportunities.

Total \$45 Million/Yr.

6. **Transitional organic label development.** The NOSB should be encouraged to hold public inputs sessions to assess the needs for a Transitional organic label development. These sessions should explore how best for a USDA program to assist conventional farmers in converting to certified organic practices. Peer-based models that require farmer-to-farmer training and education are an efficient and economical model to pursue. Any national organic transition cost-share program must include, at least, the following components:
 - a. Funds for existing organic farmers to transition to the new USDA protocols,
 - b. Funds for existing organic farmers and NGO experts to serve as mentors and trainers for new farmers converting to organic,

- c. Funds for new farmers to become certified organic with minimum time commitments. The approach must be hands-on training and supervision that includes – practices, principles, markets, and regulatory requirements to ensure success of new entries, and
- d. On-going ERS & ARS data collection, which monitors the impacts of new entry on existing farmers and encourages markets.

***Note:** this needs a great deal of careful evaluation both in terms of the best models for accomplishing this, as well as how not to stimulate over-production, causing harm to the current market through plummeting prices. Further public input is needed.

- 7. **Registration of Inputs.** Require and establish retail registration and labeling of brand name agricultural fertilizers, amendments and pest management products that are approved for certified organic production and handling. Without this critical component farmers are constantly confused. This puts a great burden and an unfunded mandate on accredited USDA certifiers.
- 8. **Point of entry fumigation.** Research and education to solve the issue of fumigation at point of entry for imported organic products.
- 9. **Access to New Markets.** Targeted AMS marketing dollars are needed for small organic farmers to increase their access to new markets as new farmers enter organic production and market access consolidates.
- 10. **Impacts on small and family size farmers.** Requirements should be placed on AMS to specifically track and report the annual impacts of the National Organic Program on small and family size farmers. This language should be linked to their funding requests. The original Senate language was for USDA not to “reinvent the wheel” but instead to work with the existing external infrastructure. USDA has publicly declared that the National Organic Program was to be a benefit to family size operations.
- 11. **USDA Training and Programmatic Accommodations.** The Secretary should require all appropriate USDA employees to be trained to meet the needs of certified organic producers and handlers, as required by USDA/NOP. The Secretary should also require programmatic agency accommodations to meet the needs of this new clientele.
- 12. **Education for Mandated Spray programs.** Specific dollars must be targeted to the education of existing extension, pesticide applicators, and administrators of State- and Federally- mandated spray programs to avoid and reduce pesticide and GMO contamination.
- 13. **Federal Marketing Orders.** Resolve inconsistencies with federal marketing orders which discriminate against organic producers

14. **Federal promotion programs.** The conflict between federal agricultural promotion and research programs and the needs of organic producers and handlers must be resolved, so that organic operators are served equitably by all programs.

Environmental Protection Agency

Finally, because organic agriculture is a crosscutting approach by design, it also affects the work of other agencies, such as EPA. Targeted dollars are needed for the EPA to accelerate its review of inert agricultural input ingredients as they relate to organic agriculture.

Respectfully submitted,



James A. Riddle
Rt. 3 Box 162C
Winona, MN 55987
Ph/fax: 507-454-8310
jriddle@luminet.net

8/2/01

Agri-News

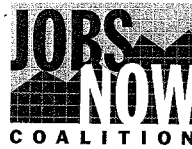
AGRI BRIEFS

Vilsack, Harkin to speak at meeting

Gov. Tom Vilsack and Sen. Tom Harkin, D-Iowa, will headline this year's Midwest Soybean Conference. Both will speak at the opening luncheon, which begins at 11:30 a.m. Aug. 10. The conference will be held Aug. 10-12 at the Marriott Hotel in Des Moines.

"I saw firsthand the tremendous opportunity that exists for soybean growers last November during a trade mission to Japan," Vilsack said. "The demand for organic soybeans is expected to increase 50 percent this year alone, while demand for non-biotech, conventionally grown soybeans is expected to increase 15 to 20 percent. It is vital we coordinate our efforts at reaching that market potential to bring profitability back for U.S. farm families."

For registration information, telephone the Iowa Soybean Association at 1-800-383-1423, or register online at www.iasoybeans.com. Registration fees are \$75 for producers and \$150 for non-producers; children ages 8-18 are \$25. A one-day pass is available for \$50.



400 Selby Avenue, Suite Q
 Saint Paul, MN 55102-4520
 651-290-0240 voice
 651-290-0162 fax
jncinfo@jobsnowcoalition.org



Testimony of Kevin Ristau, JOBS NOW Coalition

Senate Agriculture Committee Field Hearing, August 20, 2001

Members of the committee, my name is Kevin Ristau and I'm an ex-farmer who is currently education director of the JOBS NOW Coalition. JOBS NOW consists of more than 100 organizational members who ignore their differences so they can focus on what they have in common—their belief that the opportunity to attain self-sufficiency through one's work is a fundamental community standard.

JOBS NOW's most recent attempt to define self-sufficiency is the report "The Cost of Living in Minnesota," which figures the cost of basic needs for families of different sizes in each of the state's thirteen economic development regions. In this report, if we look at the Minnesota counties that are still especially dependent upon the farm economy, we find that living costs are 20 percent lower than the seven-county metro area; however, average wages in these farm counties are 44 percent lower.

Like the federal minimum wage law, the farm price support program is a legacy of the New Deal. Just as the purpose of the minimum wage was to put a floor under wages, so the purpose of the federal farm program was to set a floor under farm prices. With the New Deal programs, government intervened in the marketplace to make the balance of power more equitable. As a result of this intervention, farmers received better prices and workers received better wages.

Opponents of these New Deal programs have always argued that this form of government intervention in the marketplace is counterproductive, that low-wage workers and family farmers would both somehow be better off without it. To suggest, however, that either low-wage workers or family farmers can flourish without market intervention is to imply that they have just as much market power as employers and agribusiness corporations. It is like refusing to install traffic lights at a busy intersection and then insisting that pedestrians or compact cars can get through it as easily as semi-trailer trucks.

We need to remember that neither farmers nor low-wage workers would ever have won anything if they had believed the market was an immutable law, like the law of gravity. Ordinary citizens attained their victories only because they knew the market was a human construction that could be shaped for the good of their communities.

If the market is a human construction, not a force of nature, then the implication is clear. The market can serve our human purposes; it should be used to create the kind of society in which we want to live.

Neil Ritchie
 2105 First Avenue South
 Minneapolis MN 55404

Farmers' Declaration on Genetic Engineering in Agriculture

Genetic engineering in agriculture has significantly increased the economic uncertainty of family farmers throughout the U.S. and the world. American farmers have lost critical markets which are closed to genetically engineered products. Corporate control of the seed supply threatens farmers' independence. The risk of genetic drift has made it difficult and expensive for farmers to market a pure product. Genetic engineering has created social and economic disruption that threatens traditional agricultural practices for farmers around the world.

Farmers, who have maintained the consumer's trust by producing safe, reasonably priced and nutritious food, now fear losing that trust as a result of consumer rejection of genetically engineered foods. Many scientists believe genetically engineered organisms have been released into the environment and the food supply without adequate testing. Farmers who have used this new technology may be facing massive liability from damage caused by genetic drift, increased weed and pest resistance, and the destruction of wildlife and beneficial insects.

Because of all the unknowns, we, as farmers, therefore:

1. Demand a suspension of all further environmental releases and government approvals of genetically engineered seeds and agriculture products.
2. Demand an immediate, independent and comprehensive assessment of the social, environmental, health and economic impacts of genetically engineered seeds and agricultural products.
3. Demand a ban on the ownership of all forms of life including a ban on the patenting of seeds, plants, animals, genes and cell lines.
4. Demand that agrarian people who have cultivated and nurtured crops for thousands of years retain control of natural resources and maintain the right to use or reuse any genetic resource.
5. Demand that corporate agribusiness be held liable for any and all damages that result from the use of genetically engineered crops and livestock that were approved for use without an adequate assessment of the risks posed to farmers, human health and the environment.
6. Demand that the corporations and institutions that have intervened in the genetic integrity of life bear the burden of proof that their actions will not harm human health, the environment or damage the social and economic health of rural communities. Those corporations must bear the cost of an independent review guided by the precautionary principle and conducted prior to the introduction of any new intervention.
7. Demand that consumers in the U.S. and around the globe have the right to know whether their food is genetically engineered and have a right to access naturally produced food.

8. Demand that farmers who reject genetic engineering should not bear the cost of establishing that their product is free of genetic engineering.

9. Demand the protection of family farmers, farmworkers, consumers, and the environment by ending monopoly practices of corporate agribusiness through enforcement of all state and federal anti-trust, market concentration and corporate farming laws; by a renewed commitment to public interest agricultural research led by the land grant colleges; by an immediate shift of funding from genetic engineering to sustainable agriculture; and by expanding the availability of traditional varieties of crops and livestock.

10. Demand an end to mandatory check off programs that use farmers' money to support and promote genetic engineering research and corporate control of agriculture.

What many farmers have found about genetic engineering:

Genetically engineered agricultural products were released on the market without a fair and open process to assess the risks on human health and the environment or the social and economic risks to farmers and rural communities.

Family farmers' livelihoods and independence will be further compromised by genetic engineering. Genetic engineering empowers corporate agribusiness to accelerate capital and chemical intensive agriculture at the expense of family farmers and rural communities around the world, increases corporate concentration in agriculture, and poses unknown risks to the safety and security of the food supply.

Genetic engineering disrupts traditional agricultural practices creating social upheaval in rural communities and threatening agrarian cultures throughout the world.

Consumers worldwide are rejecting genetically engineered foods, driving down farm prices. This will force significant numbers of family farmers out of business.

Family farmers have been unfairly forced to assume liability for genetically engineered products that were not adequately tested before being released into the environment and food supply.

The corporate ownership of genetic resources and the corporate use of genetic engineering in agriculture is not designed to solve the problems farmers face in agriculture such as increased weed resistance, growing staple crops on marginal land, or making traditionally bred crops available to farmers worldwide, but rather to enrich corporations.

Genetically engineered seeds increase costs to farmers, have failed to perform as promised by corporate agribusiness, and, in some cases, yields have been lower and crops engineered to be herbicide tolerant have required increased use of herbicides manufactured by the corporations that market the seeds.

The "terminator" gene, which renders corporate seeds sterile and was developed with USDA resources, is an unconscionable technology because it destroys life and destroys the right of farmers worldwide to save seeds, a basic step necessary to protect food security and biodiversity.

ENDORSERS OF THE FARMERS' DECLARATION ON GENETIC
ENGINEERING IN AGRICULTURE

American Corn Growers Association
California Sustainable Agriculture Working Group
Dakota Resource Council (ND)
Empire State Family Farm Alliance
Family Farm Defenders (WI)
Federation of Southern Cooperatives
Illinois Stewardship Alliance
Indiana Citizen Action Coalition
Institute for Agriculture and Trade Policy
Iowa Citizens for Community Improvement
Land Loss Prevention Project (NC)
Land Stewardship Project (MN)
Maine Organic Farmers and Gardeners Association
Michigan Organic Food and Farm Alliance
Minnesota COACT
The Minnesota Project
Missouri Rural Crisis Center
National Campaign for Sustainable Agriculture
National Catholic Rural Life Conference
National Family Farm Coalition
Northeast Organic Farming Association (VT)
North American Farm Alliance (OH)
Northern Plains Resource Council (MT)
Organic Growers of Michigan
Rural Advancement Foundation International (RAFI)
Rural Coalition
Rural Vermont
Sustainable Cotton Project
Western Colorado Congress
Western Sustainable Agriculture Working Group
Women, Food and Agriculture

For further information or to contact groups individually, please contact the National Family Farm Coalition at (202) 543-5675

FOOD FROM FAMILY FARMS ACT

Revised April 14, 2001

OUTLINE OF BILL

1. Market Price Support.

Price support will be established through a Commodity Credit Corporation (CCC) non-recourse loan for wheat, feed-grains, soybeans, oilseeds, cotton and rice. Loan rate will be based on an "Agricultural Equity Formula" indexing system that reflects average gross income per acre received during the decade of the 1970s, adjusted for inflation and current higher per/acre productivity. (The 1970-79 period is widely recognized as the last generally prosperous period in modern U.S. agriculture.) Loan rates will be adjusted annually by indexing to annual inflation and a rolling average of the past 4 year national average yield. Over a 5-year phase-in period, loan rates will be adjusted upward until they equal the levels received in the 1970s.

2001 Loan rate levels:

Corn	\$3.45 per bu	Cotton	\$0.81 per lb
Soybeans	8.63 per bu.		
Wheat	5.12 per bu		

2. Program Sign-up Required.

Program sign-up will be required to be eligible for the CCC loan, farmer owned reserve, disaster relief or any other agriculture related government benefit.

- Historical price ratios between crops (such as corn/soybean price ratio of 1 to 2.5) will be considered when establishing loan rates.
- Loan period will be nine months. At the end of nine months, producers will have the option of redeeming the loan, entry into the Farmer Owned Reserve (FOR) if open, or forfeiture to a CCC Food Security Reserve.
- A maximum level of production will be eligible for the loan program.
- No price subsidy payments or loan deficiency payments (LDP) will be made.

3. Farmer Owned Reserve.

A multi-year farmer-owned reserve will be established for all storable commodities to ensure food security and livestock feed supplies. These reserve stocks will be held off the market in times of adequate supply by establishing national average price levels below which reserve stocks cannot enter the market.

- The reserve will be open to farmers any time ending stocks-to-use ratios exceed 5%.
- Storage will be paid annually in advance, at commercial rates.
- The minimum reserve levels shall be 10% of total use.
- Release levels shall be at least 125% of the CCC loan rate.
- Eligible grain will be allowed to be rotated to maintain grain quality.
- A low interest loan program for construction of on-farm storage facilities will be established.

4. Planting Flexibility with Inventory Management.

The Secretary shall establish a short-term inventory management program for storable commodities to balance production with demand. Acreage bases will be defined as Tillable Crop Acres (TCA) giving farmers planting flexibility on TCA subject only to the production adjustments by the Secretary of Agriculture based on ending stocks. Land shall be considered TCA whose production is eligible for non-recourse loan only if, for the last 3 of the 5 preceding crops, the land was planted or considered planted.

The Secretary shall target specific crops for reduced planting only if carryover stocks of that crop exceed 15% of total use. The Secretary will then announce a Conservation Percentage (CP) for such crops, and a producer will be required to enter into a conservation incentive program approved by the local Soil Conservation Service for those acres. After meeting that requirement, the producer/operator will determine which crops and what crop mix to plant under this section.

5. Disaster Relief.

In times of natural disaster, there must be an effective response in the form of disaster assistance.

- Disaster payments will be made to qualified producers who lose 30% or more of their established yield. The disaster payment will be made at the rate of 50% of crop losses between 30% and 70%. Losses of crops between 70% and 100% will be compensated at the rate of 100%.
- A loss of 90% shall be considered a total loss and the producers shall have the right to salvage any remaining crop for whatever purpose they choose with no loss of disaster benefits.
- Insurance coverage beyond established disaster payments would be at the producers' cost, but will not be required in order to qualify for disaster payments.
- Receiving crop insurance benefits will not disqualify a producer from receiving full disaster benefits under the disaster program.

6. Targeting.

Amounts of commodities eligible for non-recourse loans will be established based on farm income levels with an incentive toward promoting maximum stewardship principles and actual optimum efficiency. In any crop year, the following amounts of crop production shall be eligible for non-recourse loan:

Wheat	65,000 bushels	Sunflower Seed
Corn	125,000 bushels	Rapeseed
Grain Sorghum		Canola
Barley		Safflower
Soybeans	35,000 bushels	Flaxseed
Oilseed		Mustard seed
Upland Cotton	1,000,000 pounds	Oilseeds
Extra long staple cotton		Sugar
Rice	65,000 hundredweights	

DAIRY

New dairy policy must set the minimum price of milk at a level that allows dairy farmers to recover their cost of production plus a profit.

- Imports must be limited to a level that does not distort the domestic market including derivatives not listed as dairy products
- Ban all imports of dairy products from countries with confirmed BSE (mad cow disease) until adequate research can be done to ensure public safety
- Eliminate block voting by dairy cooperatives
- Referendum vote on mandatory check-off every five years

LIVESTOCK

Livestock.

By establishing direct floor prices under the storable commodities with the non-recourse loan, the Food from Family Farms Act will indirectly establish a floor under livestock prices. If we continue with a program that allows market prices of feedstuffs like grains and oilseeds to be below their cost of production, then we can expect livestock and dairy prices to remain low and livestock production to concentrate in factory farms that rely on purchased feedstuffs. This intensive livestock production becomes part of a vertically integrated livestock sector denying fair markets to diversified family farms that use environmentally sound crop rotations and responsible nutrient management. We intend for the majority of livestock production to again originate on diversified family farms. We also support the following measures:

- Prohibition on ownership, feeding, or control of livestock by packers.
- Country of origin labeling.
- Technical corrections to the price reporting law.
- Require that USDA grade and approval methods are extended only to meat and dairy products produced in the U.S. and derived from livestock and dairy animals born, raised, fed and slaughtered in the U.S.
- Require that all government procurement of agricultural commodities, processed and manufactured food is obtained through open, well-publicized bidding. The process should require that all reasonable efforts be made to ensure that a portion of purchased food comes from producers within the local region of the consuming entity.
- Require an immediate and thereafter, periodic referendum on all mandatory check-off programs.
- Bargaining protection legislation and strengthening enforcement of the Packers and Stockyards Act's poultry provisions.
- Prohibition against price discrimination.

JANICE DALEY

Lewiston MN 55952

507-523-3177

I am Sister Kathleen Storms, a School Sisters of Notre Dame from the Center for Earth Spirituality and Rural Ministry. I am not a farmer, but grew up on a Minnesota farm. I feel passionately about what is going on for family farmers and for rural communities. I value my ministry of working with farmers on a day to day basis. I feel their passion and their pain as they try to find hope and meaning for themselves and for their families.

This is the kind of farm we School Sisters of Notre Dame would like to see supported in the next farm bill:

1. Reward farmers for conservation practices they do, even on a small part of their farm while they learn the benefits of protecting the soil, water and air. It takes a courageous farmer to find alternative ways to farm that protect the soil from water run-off, keep our water and rivers free from chemicals, raise animals humanely on grass and keep the air clean. Give farmers incentives to change how they farm.
2. There are several proposals for payment for conservation practices. I laud the intent of these proposals. I know several conservation proposals place caps on these payments. I urge you also to put caps on commodity payments as well. Close the loopholes that allow farmers to plant more and more acres because they know government payments will support them even though it is causing escalating rental rates and increasing land values and low grain prices and doing little or nothing to reduce erosion.
3. Provide incentives for grocery chains and institutions such as colleges, hospitals and restaurants that purchase locally grown foods. Why? Because they keep food dollars in the local community thereby strengthening that community. This summer through a Bremer foundation grant, we were able to hire an intern who is helping us to buy vegetables and meats from local farmers. We have found it is a complex and confusing process for us as an institution to work within USDA regulations and rules. A growing number of consumers want to put a face on their food and know who grows their food and how it is produced. Government regulations and guidelines that are friendly to local buyers would be an incentive for farmers to produce what the consumer wants and thereby keep food dollars in rural communities.
4. And lastly, I urge you to do what you can to turn around our cheap food policy that is very costly for the environment and for family farmers. Current public policy continues to move farmers off the land. When we have healthy food and healthy animals we will have healthy farm landscapes and rural communities

Sister Kathleen Storms
170 Good Counsel Dr.
Mankato, Mn. 56001-3138
507-389-4272

8/30/01

To: Gary Wertish

Kevin Scheidecker

From: Kevin Scheidecker [kjs2@mnpreston.fsc.usda.gov]
Sent: Thursday, August 16, 2001 7:09 AM
To: gary_wertish@dayton.senate.gov
Subject: Proposal from Basin Alliance for the Lower Mississippi in Minnesota (BALMM)



Farm Bill
 Proposal.doc

Gary:

This is a proposal that has come out of our BALMM group. We have recognized a trend in Southeastern Minnesota of less hay and grassland which has then equated to an increase in row crops. This has had a big effect in the area of soil erosion as we see fields that were once in strip cropping rotations of corn, small grains and hay now go to entire fields of soybeans. We need to do something to maintain the hay and grassland that we have and hopefully increase it slightly.

I will be attending the farm bill hearing on Monday in Stewartville but I don't know that this is something that I would want introduce there. This proposal also might support the conservation security act quite well. I am not sure what the answer is but we need to do something to get some conservation back on the land and slow the soil erosion down here.

Thanks in advance for your time and hopefully I'll see you on Monday.

Kevin Scheidecker
 Administrator
 Fillmore SWCD
 900 Washington St. NW
 Box A
 Preston, MN 55965
 507-765-3878

Pilot Project Proposal for Greater Blufflands Region:

Include Hay as Program Crop In the 2002 Federal Farm Bill

Proposal:

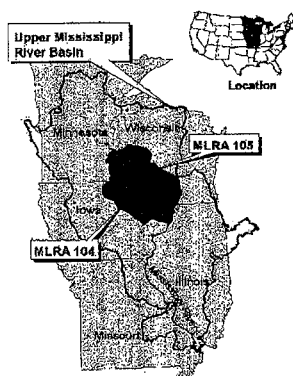
Include hay as a program crop eligible for benefits under the Federal Farm Program.

Project Area:

The "Greater Blufflands Region" of the Upper Mississippi River Basin in Iowa, Minnesota and Wisconsin (defined as Major Land Resource Areas 104 and 105*). This includes the Blufflands Region proper (MLRA 105) and its eastern headwaters region (MLRA 104). The Greater Blufflands Region comprises 31,000 square miles within the 189,000-square-mile Upper Mississippi River Watershed.

Reasons for Project:

Dramatic shifts from conserving land uses (perennial pasture and hay) toward intensive row-crop farming threaten the sustainability of agriculture as well as water quality generally in the environmentally sensitive Greater Blufflands Region of Iowa, Minnesota and Wisconsin. Increased potential for runoff, soil erosion, and nitrate-nitrogen leaching brought about by land-use shifts threatens the productivity of soil, the habitat conditions of trout (clean, cold water), in addition to the water quality of the region's streams, rivers and aquifers. The availability of farm program payments for corn and soybeans, but not for hay, gives farmers strong incentives to continue this trend.



This pilot project would evaluate the effectiveness of including hay as a program crop in the federal farm program within the Greater Blufflands Region. Its goal is to reduce the economic risk exposure of the region's agricultural producers while slowing or halting the trend to reduced hay acreage. This will help to maintain soil productivity and prevent increased runoff, sedimentation of streams, and loss of nutrients and pesticides to surface and ground water.

Land Use & the Environment:

The Greater Blufflands Region is an area rich in natural resources including productive soil, high-quality water, and superb scenery. Nearly all of the Blufflands Region is in farms, with about two-fifths in cropland, one-fifth in permanent pasture, and nearly one-third in farm wood lots. Wind-blown "loess" soil overlies fractured bedrock in this steep karst topography. A high potential for groundwater contamination combines with a high risk of extreme soil erosion that threatens both the

productivity of farms and the sensitive habitat requirements of trout that inhabit several thousand miles of cold-water streams. Sinkholes and disappearing streams rapidly transfer pollution problems from surface water to groundwater. Nitrate-nitrogen in shallow groundwater and suspended sediment in surface water are concerns throughout the region that are being aggravated by recent trends in land use.

Land-Use Trends:

Between 1982 and 1997, according to USDA National Resource Inventory surveys, the region has experienced substantial land use shifts:

Show side-by-side the 1982 and 1997 pie charts

- A 20% reduction in acreage of hay and pasture. These conserving land uses, if well managed, favor reduced runoff, minimal leaching of nitrate-nitrogen and very little soil erosion.
- A 60% increase in acreage of soybeans, an annual crop usually raised in rotation with corn. On steeper slopes, this rotation poses a threat of severe soil erosion and leads to greatly increased leaching of nitrate nitrogen compared to hay and meadow.
- Enrollment of 820,000 acres of cropland in the Conservation Reserve Program (CRP) by 1997. This helped to offset the effects of increased soybean production. Much of the CRP acreage came out of corn production, which declined by 13% over the period. However, since 1997 the contracts on much of the CRP land have expired, and many acres have been returned to crop production.
- A 7% increase in forest land, an environmentally positive trend
-

Substitute 2nd Bar Chart for Table Below

Land-Use Trends, 1982-1997*				
Land use	Area (1000 acres)			
	1982	1997	Change	% Change
Corn	5,612.60	4,873.80	-738.80	-13.16
Soybeans	1,472.40	2,350.20	+877.80	+59.62
Pasture	2,373.30	1,849.40	-523.90	-22.00
Hay	1,838.30	1,494.30	-344.00	-18.71
Forest Land	3,196.80	3,431.30	+234.50	+07.34
CRP		819.00		

Fueling the Trends:

Among the forces behind these land use trends are two that stand out as especially significant:

- Continuing Dairy Herd Decline. Milk cow numbers declined by an average of 31% between 1982 and 1997 in Iowa, Minnesota and Wisconsin. This trend is continuing. According to projections by the Food Policy Research Institute at the University of Missouri, dairy cattle will **decline by 32% in Minnesota, 22% in Wisconsin, and 11% in Iowa from 2000-2010.** At the same time, California is expected to increase its dairy numbers by 11%, as the industry continues its westward shift in response to economic, demographic and political forces. As dairy numbers decline, so does the local demand for hay and pasture.
- Beef cow reductions: In the period between 1982 and 1997, beef cow numbers in the three-state area declined by 33% in Iowa, 13% in Minnesota, and 6%

in Wisconsin, further reducing the demand for hay and pasture.

- Federal Farm Program

Incentives. The federal farm program provides additional incentives to shift production from hay and pasture to corn and soybeans. In recent years of depressed market prices, up to 70% of net farm income from corn and soybean production has come from federal payments based on acreage and yields of these program crops. Because hay and pasture are not eligible for federal payments, the economic return to these land uses has fallen sharply relative to corn and soybeans. Inadvertently, the federal farm program is fueling the trend from hay and pasture to row crop farming by selectively supporting only the latter.

Essential Part of Solution: Offset the Farm Program Bias.

To slow or halt the decline in hay and pasture acreage in the Greater Blufflands Region will require a

comprehensive, multi-faceted approach to agricultural land use. However, there is broad agreement

among farmers and those in the region who are grappling with land use and water quality issues that unless something is done to offset or eliminate the biases of the current farm program, there is little hope that other measures to encourage hay and pasture production will be effective.

That is why a group of organizations representing agricultural producers, soil conservation professionals and

regional water quality managers has joined forces to call for a pilot project to determine how best to accomplish this core objective in the Greater Blufflands Region. This will be done by including hay as a program crop eligible for benefits within the pilot project area, and measuring the effect of this policy innovation on crop production patterns over the duration of the pilot project.

The following organizations support the Pilot Project Proposal for the Greater Blufflands Region:

Basin Alliance for the Lower Mississippi in Minnesota

Kevin Scheidecker, Chair

Resource Conservation & Development for Northeast Iowa

, Chair

Wisconsin Land and Water Conservation Association

Chair

Years ago I came to meetings to support Freedom to Farm. At the time I was changing the farm to meet Market Ideas. I was losing base acres because I was planting less corn. I was shocked to discover that a group of vegetable grants prevented me from growing vegetables on base acres.

This clause caused many midwest vegetable companies to close making Freedom to Farm a Lie. Ann Ventmen was one of the folks to lobby for this, she since has taken my vote away with the checkoff issue.

Last year I produced under contract Organic Soybeans. The buyer provided seed I grew + delivered the crop. The buyer refused to pay! Contaminated with GMOs.

My local attorney said I had no chance because the contract was clear.

Then listening to sceptics of Judicial system who say that Justice belongs to those who pay for it.

Mike Tully 53288 10 Ave Kenyon MN 55946 I hired

The Law Firm who did the
 Hormel Turkey Store Merger.
 Hormel recently terrorized Austin into
 lowering property values from 32mil to 15mil
 Broke their union by selling the Kill floor
 to Conagra making Hormel a captive Independent
 instead of sucoming to Merger Mania.

In days I received Full payment not because
 the law protected me but the buyer could
 not afford to fight my Attorney.

If I got a women prenanat I would be
 responsible for raising the child.

If the spores of crops adulterated by Monsanto destroy
 my crop my reputation & income. Monsanto can sue
 me for stealing their Defective technology.

This is terrorizim Thousands of Farmers
 & Bussinesses

Have been sued out of business
 just or sold out for fear of being
 Ruined. SURVIVORS have had to make
 Partnerships with Monsanto. Monsanto
 has used out dated patent laws to bring
 disaster to Americas Ag Entrepreneurs and
 acquire a vast portion of Agriculture's Value
 Added seed industry from Family +
 Rural community to ~~the~~ centralized Corporate
~~own~~ ownership. Today I sell nothing to
 these Corporation that Manipulate Agriculture
 but they all want ~~us~~ my coops my brands
 Names + products. I do not fear Fire
 Hail + Flood but Face everyday contamination
 Corporate predation Corporate theft Corporate
 Sabotage. I received \$11,000 in Welfare
 from the Farm bill but I could have lost
 \$40,000 to Monsanto's defective product ~~and~~
 What Monsanto has done is the same as
 John D Rockefeller did to the Oil companies
 No Welfare program can refund the damage
 being done by injustice by International
 corporations that have no Allegiance

To my country

I voted For Republicans looking
for Teddy Roosevelt I think I have found
some of what I want in Dayton + we/store
I need politicians who will create a healthy
environment for all of us to pursue the
American dream. I will condemn politicians
who use the constitution to legitimize
the crimes human crimes of our corporations
in agriculture I face many federal mandated
obstacles

Pork Checkoff promotes white PORK
I sell red PORK

DMI condemns farmers talking about CIA
I rely on CIA as a feature of my product

Farmers invested in sugar to have
CORN GROWERS encourage corn sweeteners

Soybean Growers encourage feedlots
But feedlots use by products from
corn Refineries

We need vision for all not deals for special interest
If it is not good for all of us it is not
good for any of us

Dear Senators Wellstone and Dayton,

8-20-01

How long do we have to wait for justice? The government must start to support justice for all and stop supporting those who discriminate against supply and demand producers. All proposals for farm policy I see try to make the unjust three tier economic system less terrible for the victims. Enough already. Let's start the process of establishing equal opportunity. (Justice for all).

After raw production leaves the farm, everyone else who handles it markets it as the demand arises at a profit. Justice demands that producers of raw farm production are able to follow the same business policy BEFORE it LEAVES the FARM, TOO. Justice demands that farmers and labor who produce the food receive a fair share of what consumers spend for food.

Farmers don't have a structure to enable us to market our production as the demand arises - at a profit. The buyer-traders have filled that vacuum and discriminate against those who enter raw production from nature into the economic stream. This "supply and demand economic system" is called a law of nature. It isn't a law of nature. It is unjust, man made policy. The buyer-traders set prices on both ends of their business at great profit to themselves.

That injustice is what needs fixing.

Please formulate a this farm bill to: **Form a farmer run, democratic board of trade to replace the Chicago board of trade and every other structure that enables the buyers to put production they don't yet own up for sale at auctions they control to find how little they have to pay to get what they want.**

The only trade that a just nation can afford is trade that benefits everyone involved. The farmer's board of trade would market the supply for which there is a demand at a fair profit to producers. (This supply would come equally from all producers, large or small. When the supply of small producers is exhausted, the large producers will have equal opportunity to sell more as the demand arises.) If there isn't a market for something, it would be held until there is, the same as other businesses do. In order to create many more small family owned and operated farms, large operations should be given tax or other incentives to sell to beginning farmers.

Lorraine Redig
RR#1 Bx 198,
Winona MN 55987

507 454 1385

lredig@hbc.com

August 20, 2001

Dear Senator Wellstone,

A large hog feedlot is being proposed in our community in Woodville Township, Waseca County. It would be a contract operation with Wakefield Pork which already has several operations in our area that are poorly managed. We are working with the Land Stewardship Project and have formed a group called Citizens Concerned for Waseca County to work on this issue and other feedlot issues in our county.

This proposed operation is 2,400 sows or 960 au, just under the mandatory threshold of 1,000 au for an EAW review and an NPDES permit. This feedlot is being proposed in a drained wetland and the manure will be spread on this drained wetland. This land is, of course, heavily tiled and those tile outlets lead directly to Crane Creek. This creek is officially listed as impaired with the MPCA because of elevated levels of fecal coliform. This watershed ultimately leads to the Mississippi River.

Because this feedlot will result in pollution being discharged into a navigable waterway, we believe it requires an NPDES permit even though it is under 1,000 au. (See attached letter to MPCA from attorneys Peters & Peters.)

Our group met with members of the MPCA on Thursday, August 16, 2001, and we were not able to get a satisfactory answer to our request for an NPDES. We request that you send a letter to the EPA and the MPCA urging them to follow the existing federal law by requiring an NPDES permit. Urgency is required as the MPCA will rule on this permit issue as early as Monday and construction of the project could begin at any time.

Should you have further questions, please feel free to contact Bobby King of Land Stewardship Project at 507-523-3366 or Richard Scholljegerdes at 507-835-4181.

Thank you for your assistance in this matter.

Sincerely,



Richard Scholljegerdes
Citizens Concerned for Waseca County

UNIVERSITY OF MINNESOTA

*Water Resources Center
College of Natural Resources
College of Agricultural, Food,
and Environmental Sciences
University of Minnesota
Extension Service*

*Room 173 McNeal Hall
1985 Buford Avenue
St. Paul, MN 55108
612-624-9282
612-625-2282
Fax: 612-625-1263*

Comments for the Congressional Farm Bill Hearing

Worthington, Minnesota, August 4, 2001

by Les Everett

Program Coordinator, Water Resources Center, University of Minnesota

1. Topic: Interagency Natural Resource Conservation Education

Summary: Interagency natural resource conservation education programs funded through EQIP Education Assistance have been very successful in Minnesota. It is essential to include EQIP Education Assistance (or similar programs) in the next farm bill.

1. Natural resource conservation in agricultural areas is essential both for the public good and for the future of agricultural production. Areas of concern include:

- Groundwater and surface water contamination by nitrates.
- Hypoxia in the Gulf of Mexico resulting from nitrate delivered to rivers by drainage tile in the Mississippi River Basin.
- Lake and river eutrophication from excess phosphorus in agricultural field runoff.
- Contamination of surface water from fecal-borne pathogens.
- Soil loss from farm fields resulting in decreased soil productivity and sedimentation of lakes and rivers.

2. These problems are most effectively addressed with a combination of education, incentive, and regulatory programs. Education is essential in presenting the resource problem and recommended practices with understandable language and a mix of education methods.

3. If the different agencies with the tasks of education, technical assistance, incentive programs, and regulation do not cooperate and coordinate, the farmer receives mixed and sometimes conflicting messages. Tillage, crop nutrient, and manure management are examples of areas where confusion often occurs if there is not interagency cooperation. It is not sufficient to simply publish practice standards for nutrient management and similar farmer-implemented practices in the NRCS Field Office Technical Guide, or publish feedlot rules at the state and federal level. A well-designed and delivered education program is essential to allow the farmer to understand and carry out conservation practices.



4. It is our experience in Minnesota that interagency teamwork is greatly facilitated by funding that is dedicated to interagency education projects. A good example is EQIP (Environmental Quality Incentives Program) Education Assistance, where NRCS, UM Extension, and state agencies jointly develop and deliver conservation education related to practices addressed under EQIP Financial Assistance. This contractually based program with specified deliverables has been successfully delivering statewide education programs on nutrient, manure, tillage, and grazing management since 1998. The program has also funded 62 county and watershed-based conservation education projects in the state, focusing on local resource issues. We have had similar success with an EPA Clean Water Act Section 319 grant on feedlot rules education in bringing several agencies together to develop and deliver education about manure and feedlot management.

5. EQIP Education, or a similar program, needs reinstatement in the current fiscal year, and inclusion in the next farm bill. FSA, which has been unhappy about the assignment of EQIP to NRCS in the last Farm Bill, successfully lobbied OMB to slash EQIP Education Assistance in half this fiscal year. It was already very small at \$4 million nationwide, and now is becoming so small as to be unusable at the state level. This use of EQIP Education as an internal USDA political football will end our successful education partnership with NRCS and state agencies here in Minnesota. Rather than terminating EQIP Education we need to encourage other states to take this highly productive approach with multi-agency education tied to financial assistance programs.

6. I have attached a Minnesota EQIP Education progress report, a brochure on the local education program, and an example of two recent publications by the project. The EQIP Education web site for Minnesota is:
wrc.coafes.umn.edu/EQIP

2. Topic: Financial Assistance to Agricultural Producers

I wish to make some comments about how farm support payments are designed.

1. We need to begin with objectives in mind and sort out the real consequences of actions taken. This has not been the case over the last three years, and the result is obvious in eroded farmland, higher nutrient loads in rivers and groundwater, and increased land costs (including rents) that increase production costs, reduce international competitiveness, and deliver surplus commodity production. The high costs of this approach cannot be justified to the taxpaying public.

2. Soil and water protection have decreased over the last three years due to market signals skewed by commodity payments and reduced enforcement of conservation compliance. In response to subsidized commodity production, more land has been converted to row crops, reducing the soil and water protection of pasture, waterways, and non-row crops. Progress in crop residue cover after planting has been reversed as directly measured in transect studies. The result this spring was obvious erosion on the slopes of southeast Minnesota and southern Iowa, where our family farms. Commodity subsidies also lead to application of nitrogen fertilizer above levels justified by the real market price. As you know, the Raccoon River reached the highest level of nitrate concentration in history, at the expense of drinking water clean up for the residents of Des Moines.

3. In a time when the real market signals should have reduced competition for land, and therefore rents and prices, these production costs increased. They follow actual commodity prices received, including support payments. This trend was pointed out in a study by the University of Minnesota Department of Applied Economics (attached).

4. Conclusion: The public should get a real return on its investment. There are two objectives which farm policy needs to address:

A. Long term conservation of soil and protection of water.

B. Income smoothing for U.S. farmers in a volatile world market.

A. The first can be accomplished by payments for conservation, similar to the approach presented in the Conservation Security Act. Conservation practices cost money, and the government has a legitimate role in offsetting some of those costs. It also has a legitimate role in checking for conservation compliance on every field supported by government payments. We must insist on practices that limit erosion below "T" on all supported lands, not just those designated Highly Erodible. Crop nutrients should be applied at rates and with methods justified by university research as delivering an economic response and minimizing nutrients lost to groundwater, runoff and drainage water. Risk management should be accomplished in the insurance market, not with the fertilizer spreader.

Income smoothing should be promoted through mechanisms that encourage farmer investment off-farm or in alternative enterprises on the farm when incomes are above average, rather than encouraging more competition in land markets. My father was on the Iowa Farm Bureau Board for many years, and he also has also come to this conclusion. Agricultural incomes cycle on much longer time frames than the tax year. A farmer should not be punished for saving in a high income year and liquidating savings to support the family enterprise in a deficit year. Direct subsidies for commodities have the wrong effect by increasing surpluses, driving down prices, and increasing costs.

Thanks for your attention.

Minnesota EQIP Education Summary of Progress, June 2001

The University of Minnesota Extension Service and USDA-NRCS in Minnesota entered into the first of four annual agreements in September 1997, to provide education for the USDA Environmental Quality Incentives Program (EQIP). Financing is through NRCS EQIP Education Assistance, matched with funds and staff time from UM Extension and the UM College of Agricultural, Food, and Environmental Sciences. The state Board of Water and Soil Resources (BWSR) and the Minnesota Department of Agriculture (MDA) are participating through funding of four Extension and Extension-affiliated positions.

This collaboration includes:

1. Regional workshops for agricultural producers and professionals.

Progress: Five workshops were completed by January, 1999 on nutrient and manure management planning, with a total of 430 participants.

2. Development of workshop education guides for nutrient, grazing, and pest management planning.

Progress:

- The nutrient management education guide/slide set has been completed and was distributed in November, 1999.
- Nutrient management software has been designed, programmed, tested, and released to key users. It was introduced to agency staff in four regional meetings in August, 2000 and is being revised for re-release in September 2001.
- A guide to integrated weed management was purchased from the University of Wisconsin and modified for Minnesota. Copies were distributed to Extension and NRCS/SWCD staff in December, 1999.
- The grazing management planning guide was completed in October, 2000, and is being distributed at grazing management workshops for producers in 2001.
- A livestock watering system demonstration module for intensively managed grazing was prepared in 2001 and is being used at producer workshops throughout the state.

3. Coordination and augmentation of ongoing Extension and related workshops on nutrient, manure, tillage, and grazing management.

Progress: Regional EQIP Education Coordinators are helping organize and deliver regional and local education programs in these subject areas.

4. Administer education grants to Local Work Groups on a competitive basis.

Progress: Three rounds of competitive grant awards have been made, the first for 26 proposals totaling \$178,665 (FY 97 and FY98 funds), the second for 13 proposals totaling \$97,970 (FY 98 funds), and the third for 15 proposals totaling

\$106,476 (FY99 funds). \$54,800 (FY99 funds) was also awarded to EQIP Conservation Priority Area (CPA) Local Work Groups, based on education proposals submitted with CPA applications. Regional EQIP Education Coordinators and other Extension staff assisted Local Work Groups with education activities related to these grants. The local education grant program is described in the brochure "Locally Led Conservation Education".

5. Organize three pilot regional teams to review the quality of producer EQIP plans that focus on nutrient management – waste utilization and prescribed grazing. Final reports will be used to improve the planning and implementation of these conservation practices through educational workshops.

Progress: The pilot teams for manure/nutrient management plan reviews in southeast and north central Minnesota completed their work and issued a final report. Based on these results education emphasis should be placed on planning for management of sensitive field areas and best management practices in applying nutrients. The pilot team for grazing management plan reviews reported that grazing plans were weak in most components and therefore requires a comprehensive education program for plan preparation.

6. Address Underserved/Limited Resource audiences.

Progress: A brochure titled "Low-Cost Conservation Practices" has been produced and is being distributed. Five workshops/education programs serving the target audience are currently being scheduled.

7. Crop nutrient and manure management continuing education.

Progress: Brochures and presentations are being prepared on elements of a crop nutrient and manure management plan, and on management of sensitive features in fields. Collaboration with the Minnesota Pollution Control Agency (MPCA) is continuing to assure continuity among NRCS standards, UM Extension recommendations, and MPCA feedlot rules.

Interagency Collaboration:

The EQIP Education partnership has served as a focal point for interagency discussion and collaboration in several areas. Crop nutrient and manure management planning education has required collaboration on plan guidelines and standards among staff of Extension, NRCS, MPCA and MDA. Staff of all four agencies have participated in presenting the regional workshops attended by agricultural producers, consultants, SWCD staff, and other professionals, so that one message is heard from all.

EQIP Education Staffing:

Regional Coordinators:

Kevin Blanchet, UM Extension, SE (EQIP Education funds). 651-480-7739

Jodi DeJong, UM Extension, NW (Extension matching funds). 320-589-1711

Kamal Alsharif, UM Extension/BWSR, NE 218-723-2350

Derek Fisher, BWSR/Extension, SW 507-359-6090

NRCS State Staff:

Paul Flynn, EQIP Manager
Tim Koehler, Asst. State Conservationist
Jeff St. Ores, EQIP, Water Quality Specialist
Jeff King, Nutrient Management Specialist
Steve Lutes, Nutrient Management Specialist
Richard Giles, Nutrient Management Specialist
Howard Moechnig, Grazing Management Specialist

Extension State Staff:

Jim Anderson, Dept. Soil, Water, & Climate, Extension Project Manager
Les Everett, Dept. Soil, Water, & Climate, EQIP Education Coordinator 612-625-6751
State, regional, and county-based Extension staff are assisting with development of planning guidelines, technical standards, educational materials development, and workshop delivery.

Web Site: Information about Minnesota EQIP Education can be found at
<http://wrc.coafes.umn.edu/EQIP/index.html>

Minnesota Farm and Timber Land Prices Stay Up in 1999

Steven J. Taff

Average Minnesota farmland prices rose again in 1999, according to our just-released sales figures. The number of sales was off by 20 percent from 1998, perhaps signaling some slowdown in the number of parcels offered for sale. But the average price, measured in several different ways, exceeded that of 1998. Farmland markets still provide no evidence of an impending rural crisis. In this article, I'll tell you how I came to these conclusions.

Why So Late with the Figures?

Longtime readers of *Minnesota Agricultural Economist* are accustomed to receiving the farm real-estate issue every January. Not this year. Up to now, we were able to publish previous-year data so quickly because the state had a special fast-track reporting procedure for farmland sales. That special reporting procedure is no more: the 1999 legislature repealed the law that (indirectly) necessitated it. The state now processes farmland sales at the same pace as all other property types. As a result, we don't get final sales data for the October–September record year until the next April. Barring future legislative action, this timing is unlikely to change.

Your patience is rewarded, at least in part, by the fact the April data almost always contain more sales than the fast-track, but provisional, data of years gone by. For consistency, I've gone back and pulled out all the past ten years' April reports. That gives us over 25,000 farmland sales to examine in this article.

Farmland Sales

All sales summarized in this article are from the state's repository of certifi-

cates of real-estate value, filled in by the buyer at the time of a transaction. Prices are adjusted by the Department of Revenue to reflect the terms of a contract for deed, if any, and to account for inflation since January 1 of the sale year. To be counted as "farmland" for present pur-

poses, a transaction must be listed as agricultural use before and after the sale, cover twenty acres or more, and have a per-acre price of less than \$10,000.

For each sale, we know (among other information) the sales price, the size of the parcel, the number of tillable acres (usually), the soil productivity rating (sometimes), the sale date, and the township or city within which the parcel is

How Do Farmland Values Respond to Changes in Returns and Rents?

Bill Lazarus

Farmland values went through boom and bust in the 1970s and 1980s, probably due to the volatile farm income situation at the time. Today, farm income is once again volatile as gyrating commodity prices, compensatory government policies, and unpredictable weather interact. How might all this affect future farmland values? Will we see a return to the devastating cycle of the early 1980s? To find out, let's explore the historical relationship between crop returns, cropland rents, and farmland values in Minnesota.

How Much Rent Should a Farmer Pay?

Over the long run, logic suggests that

- ♦ tenants can't pay land rents higher than the amount of money that remains from the sale of product minus the cash costs of operating the farm—called the "breakeven" rent, and
- ♦ tenants' expected net returns from crops are probably the main factor that determines how much rent they should pay.

In this article, for the sake of simplicity, I'll focus only on the returns from corn and soybean production and will ignore costs and returns from other farm enterprises—such as livestock production, which may subsidize or draw from the crop enterprises during the year.

Expected Net Returns

The expected net return of tenants, however, involves making predictions about future crop prices and yields, government subsidies, and cash expenses. To calculate the expected rate of return for tenants who rent cropland, I gathered cost, income, and land-rental rates from the 1983–99 annual reports of the Southwestern Minnesota Farm Business Management Association (SWFBMA) and calculated a breakeven rental rate by subtracting out land costs from total costs. The results are shown in table 4.

(See *Farmland Values* on page 9)

UNIVERSITY OF MINNESOTA
Extension
 SERVICE

Table 4. Breakeven amount available to pay rent at different prices and yields, 50-50 corn-soybean rotation

	Corn/Soybean prices (\$/bu.)			
	1.60/4.27	1.80/4.81	2.00/5.34	2.20/5.87
Corn/Soybean yields (bu.)	Rent per acre of cropland			
140/45	69	72	90	116
150/48	81	85	105	132
160/51	94	98	119	149
170/54	107	111	133	165

The data in table 4 were calculated using the following assumptions:

- Tenants used a 50-50 corn-soybean rotation on a 700-acre farm.
- Soybean prices were 2.67 times higher than corn prices, and soybean yields were 32 percent of corn yields. These figures are based on averages from SWFBMA records for the past ten years.
- Tenants received production flexibility contract payments (transition payments) of \$30 per acre for corn (based on the year 2002, when payments are expected to decline 75 percent in comparison to 1997), and \$0 per acre for soybeans. The transition payment analysis also assumed transition rates were normal, without extra disaster-relief payments.
- Loan deficiency payments put effective price floors at 1999 loan rates, that is, at \$1.75 for corn and \$5.15 for soybeans. Loan rates are an effective price floor for farmers who sell at the same time they take the loan deficiency payment; pricing the crop at an earlier or later time may result in higher or lower effective prices depending on market movements.
- Higher crop yields were assigned higher production costs to factor in the increased costs of trucking, drying, fertilizing, and combining. Over the long run, these costs can amount to \$0.63/bu. for corn and \$0.71/bu. for soybeans.

Calculating Breakeven Rents

The data in table 4 show that when corn sells for \$1.60/bu. and yields 140 bu./acre, the breakeven rent is only \$69 per acre. For farmers to continue to pay rent at 1999 levels, however, corn must sell for \$2.00/acre and yield about 140 bu./acre. In contrast, if corn sells for \$2.20/bu. and yields 170 bu./acre, the breakeven rent increases to \$165/acre. (These figures for corn, of course, are based upon the associated yield and price figures listed for soybeans in table 4.)

Figures 10 through 12 show the relationship between year-to-year changes in breakeven rents, rents paid, and land

values during the period 1983-99. The numbers are adjusted to account for any required acreage set-aside that might have been in effect.

Figure 10 shows that the United States Department of Agriculture (USDA) land values seem to track the SWFBMA rents fairly well, but appear somewhat more volatile as values rose more than rents in both the early 1980s and the late 1990s. (Figure 10 uses data collected by the USDA's National Agricultural Statistics Service, which defines land value as the value of land and buildings.) Because of the difference in geographic coverage, the statewide USDA rental rates and values are not directly comparable to the SWFBMA data—but they do give an indication of trends prior to 1983 before the Association rent data became available.

Breakeven Trends from 1983 to 1999

Figures 11 and 12 show the breakeven amounts that remained to pay rent. Figure 11 is based on estimated harvest-time corn and soybean prices, while figure 12 is based on the average prices received in the next calendar year. In both figures, the lower, light-shaded area is the (calculated) amount that remains to pay rent from market returns after subtracting cash operating expenses, depreciation, and the opportunity cost of operator labor and management. The upper, dark-shaded area shows the contribution made to breakeven amounts by government payments and small amounts of miscellaneous farm income.

Both "willingness to pay" rent based on next year's expected returns, and "ability to pay" rent, based on proceeds

from last year's crop, probably figure into what tenants offer landlords each fall when they renegotiate rental rates.

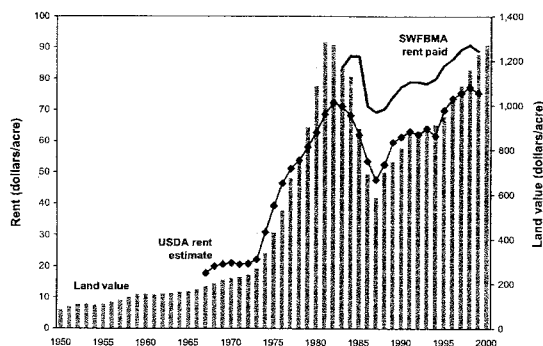
Figure 11 is an attempt to get at tenants' willingness to pay based on expected returns at the time of negotiation. Harvest-time prices are probably the most current price information available at that time. (I lagged the rental rates by one year for comparing to figure 11's breakevens because the next year's rates would have been negotiated around the time those breakevens were becoming apparent, around harvest time.)

Figure 11 shows that breakevens based on harvest-time prices never exceeded \$120 in any year, but they did at least exceed actual rents in every year except for 1991-93. Over the past five years, Association corn-soybean breakevens averaged \$14 per acre more than rents actually paid. Looking back further over the entire 16 years, breakevens averaged \$9 per acre more than harvest-time breakevens.

Figure 12 attempts to get at tenants' ability to pay by calculating the breakevens based on average prices received for corn and soybeans in the next calendar year. Many farmers store grain because they believe they can do better than selling at harvest time. Storage involves additional costs such as shrinkage, interest payments to the government on outstanding loans on the crop, and facility costs.

Farmers who store crops probably expect prices to increase in order to cover these added costs—but this is a bet that has not paid off over the past couple of years. Comparing annual average

Figure 10. Land values and rents paid 1950–1999



(Farmland Values from page 9)

corn prices over the 16-year period 1983–98 with year-earlier harvest-time prices, annual prices averaged \$2.22 compared to average harvest-time prices of \$2.18. Cash corn prices were higher than at harvest in seven of the 16 years. Soybean annual prices averaged \$5.87 compared to the harvest-time average of \$5.77.

Calendar-year average prices have been more volatile than harvest-time estimates. As a result, figure 12's calculated breakeven amounts based on the calendar-year prices are also more volatile. (Rental rates are lagged two years in figure 12 because the marketing year would not be completed in time for the first year.)

Returns were sufficient to pay the reported paid rent in 12 of the 15 years for which data are available, but there were shortfalls in 1988, 1993, and 1997. In years where a shortfall occurred, breakeven rents (after all costs were deducted) declined by 59 percent (1987–1988), 69 percent (1992–1993), and 56 percent (1996–1997).

Rental Rates and Land Values

The two main sources of economic returns that a landlord stands to gain from owning cropland are current-year rents and expected future capital gains when the land is sold. Future capital gains, in turn, may be related to expected

future rent increases.

The relationship between land rents and values was a popular research topic during the run-up and later collapse of land prices during the 1970s and 1980s. A central question of this research was whether a simple capitalization formula ($\text{value} = [\text{annual rent} / \text{capitalization rate}]$) could predict land prices in the current year based on current rental rates, or whether a more sophisticated model is needed. We usually don't observe a capitalization rate; instead, we infer it from the ratio of land price and annual rental rates.

Capitalization Rate Trends

In the mid-1970s, farmland increased in value by over 20 percent per year. Rental rates (after paying property taxes) increased even faster, and the calculated capitalization rate peaked at 8.3 percent in 1975. Expectations of future price increases may have been a factor in land prices being bid up during the early 1980s—even though rental rates were leveling off. The result was that capitalization rates bottomed out at 5 percent in 1981. When land prices declined in the mid-1980s, rates rose for a few years, then declined once again.

Another estimate of the capitalization rate can be calculated using the ending-market balance sheets of farms in the SWFBMA. In 1998 the average farmer owned 219 acres of cropland valued at \$348,007. This translates into an implied cropland value of \$1,589 per acre. The

corresponding after-tax average rental rate was \$76 per acre, which means that the inferred capitalization rate for farms in the SWFBMA was 4.8 percent in 1998.

Other trends are also apparent in figure 10. For example, in Minnesota as a whole, land price movements appear to have overshot the upward trend in rents in the early 1980s and "overshot" the downward trend in 1987—and might be overshooting rents at the present time. This suggests that a simple capitalization model probably does not predict land prices with any useful level of accuracy.

Forecasting Future Land Values

How much could land values change if they responded in direct proportion to the range of breakeven rents shown in table 4? It seems clear from figures 10–12 that rents and values do not respond very quickly to changes in farm income, but a series of good or bad income years eventually do bring about a response. Under a pessimistic production scenario of 140 bushels of \$1.60 corn (using an after-tax cap rate of 6.2 percent and property taxes that vary in proportion to rent), the calculated capitalized land value is \$930 per acre. At the other extreme, 170 bushels of \$2.20 corn and a 4.8 percent cap rate yield a land value of \$2,883 per acre.

The range of prices and yields discussed in this article suggest that in the next several years, land values might be as much as 40 percent lower or 80 percent higher than the current SWFBMA average value of \$1,589 per acre. It depends on where prices and yields end up. By comparison, in the last boom-and-bust cycle, land values peaked in 1981, declined by over 50 percent during the next six years, leveled off in 1987, and climbed back to today's levels.

So what does the future hold for land values in Minnesota? That depends on how farmers react to future changes in the prices and yields of the crops they grow. It also depends on whether or not the federal government maintains the recent very high levels of subsidies paid to Minnesota crop farmers.

Bill Lazarus is an associate professor and extension economist with the Department of Applied Economics at the University of Minnesota.

Figure 11. Calculated breakeven rents—harvest-time price basis

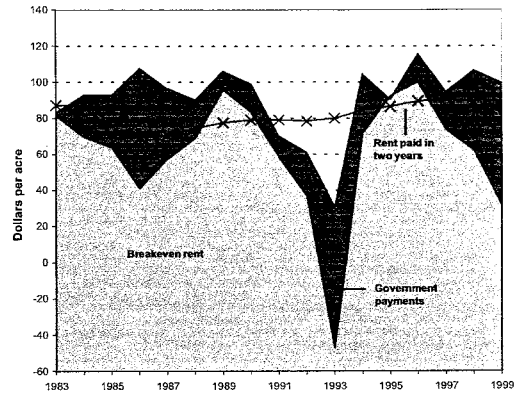
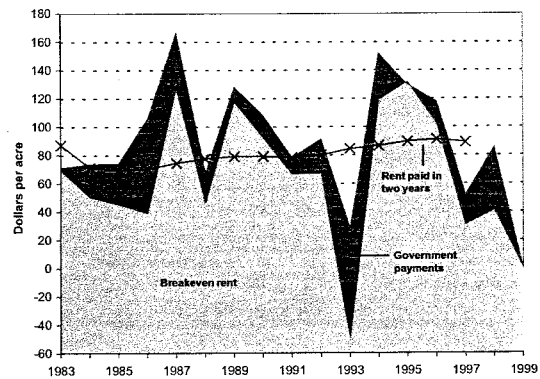


Figure 12. Calculated breakeven rents—average annual price basis



Previous Issues**No. 698 Fall 1999**

Emerging Genetic Engineering Technologies and Minnesota Agriculture
Stanley C. Stevens

The Big Shift from a Food Supply to a Food Demand Chain
Jean D. Kinsey

No. 697 Summer 1999

Minnesota Milk Production: Fewer, Bigger Farms Expected to Come
Jerome J. Hammond

How Do Economists Value the Environmental Effects of Livestock Production?
Carl V. Phillips

Crop Data Don't Reveal Much about Farmer Prosperity
Steven J. Taff

No. 696 Spring 1999

Mixed News from 1998 Farm Records
Kent Olson

Which Came First: Growth in Trade or Trade Arrangements?
Xinshen Diao, Terry Roe, and Agapi Somwaru

No. 695 Winter 1999

1998 Farmland Sales Don't Support "Crisis" Talk—Yet!
Steven J. Taff

Copies available from:

Waite Library, Department of Applied Economics
University of Minnesota, 1994 Buford Avenue
St. Paul, MN 55108-6040
(612) 625-1705

Look for us at <http://apec.umn.edu>

University of Minnesota
Department of Applied Economics
1994 Buford Avenue
St. Paul, MN 55108-6040

Minnesota Agricultural Economist

Steven J. Taff,Managing Editor
(612) 625-3103
sjtaff@apec.umn.edu

Prepared by the University of Minnesota Extension Service and the Department of Applied Economics. The views expressed are those of the authors, not necessarily those of the sponsoring institutions. Address comments or suggestions to the Managing Editor, MAE, Department of Applied Economics, University of Minnesota, 1994 Buford Avenue, St. Paul, MN 55108-6040.

Please send all address changes to Louise Letnes, Waite Library, Department of Applied Economics, University of Minnesota, 1994 Buford Ave., St. Paul, MN 55108-6040.

Produced by Communication and Educational Technology Services, with assistance from Business and Science Writers Incorporated.

The University of Minnesota Extension Service is committed to the policy that all persons shall have equal access to its programs, facilities, and employment without regard to race, color, creed, religion, national origin, sex, age, marital status, disability, public assistance status, veteran status, or sexual orientation.

This material is available in alternative formats. Please contact your Minnesota county extension office or contact the Extension Distribution Center at (612) 625-8173.

Copyright © 2000 by the Regents of the University of Minnesota. All rights reserved. This document may be reproduced freely for noncommercial purposes as long as this copyright statement is retained.

Printed on recycled paper with a minimum of 10 percent postconsumer waste.

ISSN: 0885-4874

Nonprofit Org.
U.S. Postage
PAID
Minneapolis, MN
Permit No. 155

FEDERAL CONSERVATION SECURITY ACT

WHEREAS, the proposed federal Conservation Security Act creates a Conservation Security Program which provides a comprehensive, flexible and voluntary approach to farm conservation policy by providing incentives payments to all farmers for maintaining or adopting conservation practices on productive land; and

WHEREAS, farmers enter conservation security contracts with the U.S. Secretary of Agriculture to define conservation practices they will use. There are three tiers of practices, with Tier III being the most extensive; and

WHEREAS, Tier I practices include nutrient management, pest management and cover cropping. The Tier I annual payment cap is \$20,000; and

WHEREAS, Tier II practices are system practices, including rotational grazing, buffers and borders and wetland restoration, in addition to Tier I practices. The payment cap is \$35,000; and

WHEREAS, Tier III requires implementation of practices that that addresses all resources, in addition to Tier I and II practices. The payment cap is \$50,000; and

WHEREAS, the proposed Conservation Security Act payments are conservation based, they are not trade distorting; and

WHEREAS, the Conservation Security Act would be a conservation based, incentive driven federal farm program;

THEREFORE, BE IT RESOLVED, that the Minnesota Association of Soil & Water Conservation Districts actively support the passage and implementation of the proposed federal Conservation Security Act.

Submitted by: Dakota SWCD
Date: June 20, 2001

Area Association: IV
Date: June 25, 2001

Reviewed by MASWCD Board of Directors
Date:

MASWCD Annual Convention
Action:
Date:

For Further Information Contact:
Rick Hansen, Chair, Dakota SWCD, 651-480-7777

STATEMENT OF

**Mr. Mike Mueller
Senior Loan Officer
State Bank of Gibbon**

BEFORE THE

**COMMITTEE ON AGRICULTURE, NUTRITION AND
FORESTRY**

UNITED STATES SENATE

FIELD HEARING

**AUGUST 20, 2001
STEWARTVILLE, MN**

Mr. Chairman, members of the Committee, my name is Mike Mueller from Winthrop, MN. I am a Senior Loan Officer at the State Bank of Gibbon and a landowner from Sibley County, MN. I participate in the Conservation Reserve Program and have land in the successful Reinvest in Minnesota and Conservation Reserve Enhancement Program. Thank-you for the opportunity to appear here today to talk to you about the conservation title of the 2002 Farm Bill.

I am a strong supporter of the Conservation and Wetlands Reserve Programs and think they should be reauthorized and expanded in the next Farm Bill. It has been my experience as a loan officer that CRP helps diversify cash flow for farmers. Farmers and landowners that have a portion of their farm in a conservation program are simply better off from a cash flow standpoint and we are all rewarded from the environmental and wildlife benefits. In my opinion the recent changes to CRP encouraging farmers to plant more diverse cover types have strengthened the program and provide excellent wildlife habitat.

In addition to the economic stability provided by CRP payments, farmers and landowners can address serious water quality problems on a voluntary incentive-based approach through participation in the ongoing CRP buffer initiative and the MN CREP program. Continuing these successful programs should be a top priority for the next farm bill conservation title. In my view conservation programs provide valuable options to family farmers. The ability to diversify their farming operation through conservation programs may allow them and future generations to continue the farm legacy.

The new CRP practice allowing MN farmers to sign-up small wetlands should be continued. I would encourage you to make the wetlands pilot program permanent in the next farm bill and to expand it nationwide. This practice is proving to be a win-win situation for both farmers and for wildlife. Farmer's benefit from a non-regulatory voluntary incentive-based way to deal with the problems associated with farming in and around small wetlands. Pheasants and other wildlife benefit from the habitat provided by the restored wetlands. This practice also provides water quality and groundwater recharge benefits.

Mr. Chairman, I work at a small ag bank and live in a small rural town. In my experience, conservation programs are one of the most successful of all agricultural programs. I would encourage you to reauthorize and expand proven successful programs like CRP and WRP, and to expand opportunities to incorporate conservation based programs on all farms. Specifically I support:

- Expansion of the Conservation Reserve Program (CRP) to its original 45 million acres based upon soil, water, and wildlife conservation objectives.
- Expansion of the Wetlands Reserve Program to accommodate 250,000 acres of enrollment per year.
- New conservation-based initiatives that help support conservation as a component of any farming operation and help keep farmers on the farm.

Mr. Chairman, thank-you for coming to Minnesota to hear firsthand about how valuable conservation programs are to family farmers. I thank-you for the opportunity to appear here today.

'Freedom' a failure

Subsidies benefit large, not family, farms

Regarding the Aug. 12 and 13 articles, "Federal Aid Sustains Iowa Farms" and "Nonfarmers Reap Federal Farm Subsidies". Magnificent or abhorrent, farm payments are both backbone and scourge of federal farm programs.

Despite a definite tilt in favor of large farms, the rest of us would have great difficulty surviving financially without them. But to state, as does the Farm Bureau, that all farms, including the megas, are hurting equally is ridiculous.

There is widespread evidence of already large farms, with the aid of swollen, six-figure government payments, gobbling up more land and forcing more family farms out of business.

As stated by Mark Leonard in the Sunday article, the aim of public policy should be to establish limits on subsidies to one entity, while not trying to limit the long-term trend to larger farms. Concentrating payments to the most needy, independent family farmers with a meaningful, enforceable cap per entity would work wonders.

Provisions now — wherein the more a farmer produces, the more the government pays — are strong, destructive incentives for maximum production of program fertilized crops that increase burdensome surpluses, soil erosion and water pollution.

Furthermore, attractiveness to farm for youth and others would be enhanced with a definable, meaningful cap per entity. Repopulation of the countryside, so badly needed, would be assisted while strengthening otherwise withering rural communities and main streets. And all these benefits would be at less cost to the government. Such a cap should be top priority. Unfortunately, it is not.

—William H. Gilbert,
18683 J Ave, Iowa Falls,

The Aug. 12 article, "Federal Aid Sustains Iowa Farms," exposes the fact that Farm Bureau and the commodity groups (corn, beans, hogs, etc.) initial and continuing support of Freedom to Farm was and is not in the best interest of family farms, the environment, taxpayers or the consumer. The big operators (and non operators) get the big bucks, which add up to more concentration (fewer family farmers).

We family farmers dream of the day when we can get cost of production plus a living wage out of the marketplace. As family farmers, we do take the small government dollars (along with putting our wives and ourselves to work in town full time) to just try to survive and make ends meet — but keep in mind that we don't like welfare checks.

In comparison, the big operators get hundreds of thousands of your tax dollars in direct subsidies.

I propose any subsidies at all should be targeted to a family farm (majority of labor, management and capital) up to a certain size based on bushels — after that it is "Freedom to Farm" (capitalism) for the big guys, with no subsidies. With a farm/food policy like this, we could start to rebuild rural America that benefits society and the environment.

We also need a farm policy centered on: conservation, farmers owning and raising livestock, a two-year moratorium on agribusiness mergers, and strong enforcement of all antitrust, packers and stockyard laws to put competition back in the marketplace.

For the good of all Americans, we need rural stability and growth along with an ample, safe supply of food. The system we have now will not be sustainable in the future.

—Chris C. Petersen,
7645 180th St., Clear Lake,

As a not-so-young Midwest

farmer of 40 years, I have seen many federal farm programs come and go.

The current loan-deficiency payment (LDP) program is the greatest attempt at nonsense I have ever witnessed.

It rewards those with the highest yields, most acres and fewest conservation measures. But if you're a conservation-minded farmer like me who is diversifying into pasture-based livestock production, certain small grains and forage crops, you're out of luck.

A diversified farmer is a bad farmer, according to the federal government, and should be punished accordingly. But if you raise lots of corn and soybeans, you get lots of LDP money. The greater your yield (and acreage), the more the payoff.

LDPs reward those who happen to be lucky enough to farm in counties with high average yields and who are willing to farm their land intensively. And if you are big and quick enough to harvest early in the fall, LDPs allow you to capitalize on harvest lows.

LDPs were, it seems, a small footnote to the Freedom to Farm Act with the idea that they would be used only in an emergency. This little "emergency measure" has become a driving force behind what is planted in Iowa, Minnesota and other Midwestern states.

LDPs are a sign that real justice seems to have been omitted from the vocabulary of the authors of the Freedom to Farm bill. As the 2002 farm bill is debated, let's keep in mind the lesson LDPs have taught us: Without a major overhaul, farm policy will always contain "footnotes" that help maintain the status quo of more monocrops and bigger farms. Such footnotes discriminate against family farmers, rip off taxpayers and decimate our rural communities and the environment.

—Dwight Aull,

Route 1, Box 230, Austin, Minn.

(Des Moines
Sunday Register)
Aug. 19, 2001

1-641-357-4090

Chris C Petersen
7645 180 St
Clear Lake, IA 50428

The EQIP Livestock Restriction: A Key to Saving Small Farms and Environmental Quality

The Environmental Quality Incentives Program (EQIP) was established in the Federal Agricultural Improvement and Reform Act of 1996 (the 1996 Farm Bill) "to provide a voluntary conservation program for farmers and ranchers who face serious threats to soil, water, and related natural resources" (USDA EQIP Fact Sheet). EQIP allows agricultural and livestock operators to enroll in 5-to 10-year contracts to manage natural resource concerns. The program offers financial (cost share and incentive payments) and technical assistance in the design and installation of practices to improve water quality, wildlife habitat, wetlands and grazing lands and other locally-designated natural resource priorities.

Current eligibility requirements for enrollment in EQIP prohibit the use of cost share funds for construction of animal waste storage and treatment facilities at large confined animal feeding operations (CAFOs). The USDA defines "large" CAFOs as operations containing over 1000 animal units, except where amended by the NRCS state conservationist. Some groups are lobbying to remove this restriction and allow CAFOs to use EQIP cost-share assistance to manage their livestock waste and mitigate the water and air pollution these operations create. Defenders of Wildlife believes that the 1000 animal unit restriction should remain in place for the following reasons:

Taxpayers should not be asked to fund the destruction of family farms. Across America, concentration of livestock production into fewer, larger, industrial operations has been rampant over the past 20 years, driving small producers out of business. For instance, the number of hog farms has fallen precipitously over the past 20 years, with 443,000 producers going out of business from 1982 to 1997, while the number of hogs stayed the same (Minority Staff of Agriculture Committee Report, 1997). The huge operations, which are often affiliated with meat-packing companies, can suppress commodity prices and drive smaller producers out of business. Providing subsidies to these mega-producers to clean up their waste will increase their profitability and their advantage over smaller producers, hastening the decline of the small livestock producers.

Large CAFO Operators should be held responsible for cleaning up after themselves. One of the ways these large animal feeding operations that have gained such an edge over small producers is that they have benefited financially by externalizing to the public the environmental costs of maintaining large numbers of animals in confined operations. Current waste-management practices, such as the giant open-air lagoons, have resulted in millions of gallons of urine and feces entering streams and groundwater through leakage, flooding and bursting of lagoons. The air pollution and stench of the CAFOs has sickened neighboring children, forced residents indoors and decreased neighborhood property values. These operators should be held financially responsible for the cost of properly managing their waste, not rewarded with government subsidies. The federal government should not be subsidizing the industry that is creating the pollution.

*We need this
to stay targeted
to family farmers -
the factory farms
can use their
record profits
to comply within
the law and clean
up their
messes!!*

Taxpayers should not have to fund flawed manure handling technology. The most widespread technology used to manage livestock waste, manure lagoons and sprayfields, are fundamentally flawed. The lagoons are prone to flooding and leakage, which has resulted in algal blooms, fish kills, illness outbreaks in humans, groundwater contamination and lost opportunities for downstream recreation and water use. Both types of waste facilities emit toxic hydrogen sulfide, ammonia and methane into the air.

CAFOs can still receive technical assistance and advice under EQIP. EQIP's restrictions do not prohibit large operations from seeking technical assistance for the improvement of their manure management practices. Defenders of Wildlife believes that giving advice and assistance to large operators is a fair use of public funds, but that the actual construction and operation of management facilities should be paid for by the CAFO operator who is profiting from the operation, not by the public.

Taxpayer dollars should fund conservation practices above and beyond the requirements of the law. Given limited budgets for conservation practices, and the fact that nearly all agricultural conservation programs are under-funded and over-subscribed, taxpayer dollars should go to those operators who are already meeting their legal obligations and want to take extra measures to enhance natural resources. Taxpayers should not have to pay to help huge, highly profitable corporations to quit polluting and obey the law.

In summary, large confined animal feeding operations have forced hundreds of thousands of small livestock owners out of business. They have been able to do this in part because they have forced their associated costs – in air and water pollution – on to surrounding communities and downstream residents. It is time for these operators to shoulder the financial burden of handling their waste in a responsible manner – not to force it onto the taxpayers at large. Please maintain EQIP restrictions that prohibit cost-share assistance and incentives to large livestock operations.

COMPETITION TITLE SUMMARY

I. Packers and Stockyards Act Reform and Enforcement

The Packers and Stockyards Act of 1921 prohibits packers and live poultry dealers from engaging in or using any unfair, unjustly discriminatory, or deceptive practice or device, or making or giving any undue or unreasonable preference or advantage to another party. USDA's Grain Inspection, Packers and Stockyards Administration has not adequately protected farmers from the unfair packer and processor conduct that has accompanied the new industry structure. Congress should reform the Act to provide real protections to farmers, ranchers, and poultry growers.

A. Improve Enforcement of the Packers and Stockyards Act

(1) Create Office of Special Counsel for Competition within the USDA. A recent GAO Report found that investigative and prosecutorial oversight functions under the P&S Act are segmented between two entities, resulting in poor coordination and lax enforcement. To improve enforcement and consolidate decisions in one position, Congress should create a new Office of Special Counsel for Competition Matters which will be Presidentially appointed. This office will have the responsibility of investigating and prosecuting section 202 of the P&S cases and the Agricultural Fair Practices Act. (This proposal is similar to ideas included in S. 1076 and H.R. 1526 that create new positions to encourage better enforcement of statutes designed to protect farmers.)

(2) Further Define Undue Preferences Under the Packers and Stockyards Act. In January 1998 the National Commission on Small Farms called for legislation clarifying the authority of GIPSA to take action against undue preferential pricing by packers. Congress should pass legislation that clarifies that preferential pricing - paying different prices to different producers for livestock - is justified only for real differences in product value or actual and quantifiable differences in acquisition and transaction costs. The Department of Agriculture should have the ability to address unfair, deceptive and predatory practices by all agricultural processors, not just packers and poultry processors. Congress should provide the USDA the competition and trade practice protection authorities like those found in Section 202 of the Packers and Stockyards Act to cover anti-competitive practices by dealers, processors, and commission merchants of all agricultural commodities (See S. 1076, Section 5, and S. 20, Subtitle B, Section 111).

(3) Provide Attorney Fees in the Packers and Stockyards Act. Many times GIPSA lacks the resources, expertise, and sometimes the will, to enforce the broad provisions within the Packers and Stockyards Act. Providing an attorney fees provision in the Act would allow farmers to leverage the resources of the private bar to seek a viable alternative to USDA enforcement and would bring the P&S Act in line with other antitrust and trade practice legislation. (See 15 U.S.C. sec. 15(a), that provides attorney for private litigants in Sherman Act cases.)

(4) Provide USDA With the Ability to Seek Outside Counsel for Enforcement of Packers and Stockyards Act Cases. Certain Packers and Stockyards Act cases demand well-seasoned litigators and legal experts in antitrust-type issues. The USDA requires the authority to seek outside counsel when conducting complex trade practice or competition litigation. The Department of Justice already exercises this type of authority, such as when it sought David Boies to lead the Department of Justice's trial against Microsoft.

B. Poultry Amendment to the Packers and Stockyards Act

Although the Packers and Stockyards Act prohibits unfair and deceptive trade practices and

other anticompetitive practices on the part of live poultry dealers, the Act does not give USDA the authority to bring administrative actions against such dealers. In addition, the limited authority that USDA does have over poultry applies only to broiler operations, and does not apply to growers raising pullets or breeder hens. An amendment is needed to the Packers and Stockyards Act to broaden GIPSA's authority and close these loopholes. (See Title III of Senator Harkin's S. 3243 from 106th Congress, and H.R. 231).

C. Regulating Captive Supplies

Use of captive supplies - control of livestock by packers through forward contracts -- and agreements in highly concentrated markets has led to anticompetitive conditions in the markets for fed cattle. Captive supplies increase the potential for price discrimination and undue preferences, and the potential for intentional or effective price manipulation. Congress should limit captive supply contracts and prohibit packers from procuring cattle and hogs for slaughter through the use of a forward contract, unless the contract contains a firm base price that can be equated to a fixed dollar amount on the day the contract is signed, and the forward contract is offered for bid in an open, public manner. (See WORC Petition, Federal Register, v. 62, no. 9, Jan. 14, 1997, pp. 1845-59).

D. Prohibition on Packer Ownership or Feeding

Packer ownership of livestock prior to slaughter results in less competition for all sellers in the market. Because packers have slaughter livestock supplies locked up, they do not have to bid competitively for all of their livestock needs. This depresses the market and restricts market access for other producers. It also increases the likelihood of price manipulation in the marketplace. Congress should prohibit ownership and control of livestock by packers for more than two weeks prior to slaughter. (See S. 142, introduced by Senators Johnson, Grassley, Thomas, and Daschle).

II. Contract Agriculture Reform

By 1998, over a third of the total value of U.S. agricultural production was under contract agreements, and the percentage continues to increase. The use of contracts is quickly increasing, and already prevalent in many industries, such as poultry, tobacco, and hogs. Many contract producers find themselves with no power to negotiate the terms of these contracts, which are often offered on a take-it-or-leave-it basis, with mandatory confidentiality clauses that limit the price transparency in these markets.

A. Producer Protection Act

In response to dangers posed by contracting, sixteen Attorneys General provided model state legislation, the Producer Protection Act, designed to set basic minimum standards for contract fairness and promote meaningful competition in agriculture. These standards have been translated into various pieces of federal legislation, including Title I of Senator Harkin's S. 3243 from 106th Congress, and in Subtitle C of Senator Daschle's S. 20. Several noteworthy provisions include: (1) Clear disclosure of producer risks; (2) Prohibition on confidentiality clauses; (3) Prohibition on binding arbitration in contracts of adhesion; (4) Recapture of capital investment (Contracts that require a significant capital investment by the producer cannot be capriciously canceled without compensation.); and (5) Ban unfair trade practices including "tournament" or "ranking system" payment.

B. Bargaining Rights for Contract Farmers

Loopholes in the Agricultural Fair Practices Act and changes in farm markets are making it near impossible for producers to organize and attain a fair price for their products. For example, while the Act prohibits processors from refusing to deal with producers simply because they are part of an association, it includes a disclaimer provision permitting the processors to refuse to do business with a producer for *any* other reason. This makes discrimination based on association membership extremely easy to disguise. Congress should amend the AFPA to close this loophole and require good faith bargaining on the part of

processors. Such an amendment would facilitate a more equal balance of power between contract producers and processors, and therefore enhance competition in these contract negotiations. (See Title II of Senator Harkin's S. 3243 from 106th Congress, and Title I, Subtitle D of Senator Daschle's S. 20.)

III. USDA Review of Agribusiness Mergers

The Department of Agriculture is better able to assess the true impact of agribusiness mergers on farmers, ranchers, and independent producers than the Department of Justice or the Federal Trade Commission. Congress should authorize and require the Department of Agriculture to assess the impact of proposed agribusiness mergers on family farmers, independent producers. Congress should further authorize the Department to suggest changes to proposed mergers, and to challenge mergers in federal court to stop or impose appropriate conditions or limitations on mergers. (See S. 1076, Section 4, and S. 20, Subtitle B, Section 112.)

IV. Country of Origin Labeling

In concentrated markets such as those for beef, pork and lamb today, packers can use imported livestock, meat and produce to drive down prices in domestic markets by strategically drawing on imported supplies. Country of origin labeling would give U.S. consumers the knowledge and ability to choose U.S. beef, pork, lamb, or produce, and effectively create separate markets for domestic and imported goods. Congress should require mandatory labeling of meat and produce by country of origin (see S. 280).

*If the family farm is to survive
we need this ASAP.*

NEW FARM BILL

FREEDOM TO FARM RESULTS:

- 1...less competition in the marketplace for farmers
- 2...less farmers
- 3...total dependence on government by farmers
- 4...big operators (and non-farmers) farming the government -- not the land for 100,000's of
Thousands of dollars in direct taxpayer subsidies --EACH !
- 5...industrialized corporate animal factories spreading over our rural landscape like cockroaches
in a feeding frenzyof cheap grain! (Also non -enforcement of environmental laws)
- 6...merger after merger (concentration) in the food chain from dirt to super market shelf
Resulting in record profits for corporations at the expense of rural America and the family
farm.
- 7...conservation and the environment not being addressed as a major issue.

NEW FARM BILL PROPOSALS:

- 1....A...we need a farm AND food policy centered around conservation and the environment.
B...centered also around family farmers with consumers / taxpayers concerns addressed.
- 2...targeting of all money to family farms(majority of labor, management, and capital)any
subsidies at all to producers only! This program should be based on bushels, lbs., etc.--to a
Certain size.
- 3....A...raise the loan rates to cost of production plus a livable wage for a family farmer. (the rest
of society has a minimum wage -why not the farmer? Do away with LDP's-----Corporate
America doesn't need any more subsidies .
B...non-recourse loans for grain on variable due dates scheduled year-around .
- 4... strategic grain reserve with on farm storage -(we have a strategic oil reserve — why not
a strategic food reserve?).
- 5.... A...competition title in farm bill.
B. strict enforcement of anti-trust laws by DOJ (Department of Justice)
C...reform and /or strict enforcement of Packers and Stockyards laws
D...repeal of Illinois Brick ruling.
- 6....2 year merger moratorium on agri-business mergers if not on all the food chain.
- 7....pork checkoff voted on last year being honoredperiod!
- 8...all checkoffs voluntary at point of sale (producers may vote with their money continuously)
- 9...start-up money for the formation of true farmer co-ops of all types where the majority of the
profits go back to the family farm(with local production of food as top priority)
- 10...leave the EQUIP program alone.....dollars need stay targeted to family farms. The
Industrialized corporate animal factories can invest some of their record profits to comply
within the laws and clean up their own messes!
- 11....regional dairy compacts to ensure justice for all producers!
- 12...country of origin meat labeling (food democracy)...are these countries not proud of their
Product?....besides --it good advertising!
- 13...GMO labeling of all products (food democracy).....are these corporations not proud of their
Product?.....besides-- it's good advertising!

OTHER ISSUES AND COMMENTS

- 1.....true campaign finance reform ASAP.....we are tired of Rural America and our Family Farms being “compromised” away in the name of corporate greed and political postering!
- 2.....the current system is unsustainable for the family farm and the environment—reform it!
- 3.....land grant university reform (the corporations are using government institutions to advance their concentration in the food chain and their profits.....not to advance innovative ideas / research for the family farm to prosper)-----the original intention.

RESULTS OF GOOD FARM POLICY IF IMPLEMENTED:

.....A QUALITY OF LIFE FOR THE FARM FAMILY ALONG WITH RURAL STABILITY AND GROWTH ALONG WITH AN AMPLE SUPPLY OF QUALITY, SAFE FOOD FOR ALL..... PRODUCED BY THE RIGHT PEOPLE (FAMILY FARMS) !

Chris C Petersen

Chris C Petersen
7645 180 st.
Clear Lake IA. 50428
PH.-1-641-357-4090

* Family Farmer

* V.P. Iowa Farmers Union www.iafu.org

* Consultant for G.R.A.C.E. www.factoryfarm.org (Global Resources Action Center for the Environment)

**Statement by Gary Joachim
President of the Minnesota Soybean Growers Association
before the members of the United States
Senate Committee on Agriculture, Nutrition and Forestry
August 20, 2001**

Good morning, Senators and others. My name is Gary Joachim and I am a family farmer from Claremont, Minnesota. I was President of the Minnesota Soybean Growers Association in 1998 and currently am one of three Minnesota farmer representatives on the board of the American Soybean Association.

I would like to express my appreciation to you for conducting this hearing. The Minnesota Soybean Growers Association looks forward to working closely with you in developing effective ag legislation.

As you requested, I will address my verbal comments to the U.S. Energy Policy now being developed by Congress. MSGA's comments and recommendations on the upcoming Farm Bill are included in the written testimony I have submitted.

Personally, as a soybean farmer, I am extremely optimistic about the role plant-based annually renewable fuels, like biodiesel, can play in a National Energy Plan. Biodiesel is an environmentally friendly, renewable alternative to petroleum-based diesel fuel. It can be made from soybean oil, recycled fats and other vegetable oils.

Minnesota hopes to lead the way in the promotion and production of biodiesel. When it convenes next February, the Minnesota legislature will take up unfinished legislation that would require the inclusion of 2% biodiesel in the state's diesel fuel supply.

MSGA strongly supports and much appreciates Senator Dayton's efforts to prompt and encourage the increased use of biodiesel nationally. We believe that Senator Dayton's bill will complement our state biodiesel efforts, and positively influence the Minnesota state legislature to pass a 2% biodiesel requirement in February.

I also want to express appreciation for the efforts of Minnesota Senator Paul Wellstone, and Representatives Gutnecht, Peterson and Kennedy for their commitment to biodiesel, ethanol and other plant-based alternative fuels. Working together, more of our energy will come from the Midwest, and not the Mid East.

Finding new uses for soybeans is crucial to our future profitability. In the past Senator Wellstone was the leader in promoting soy-based ink for government printing. Today soy ink has become the industry standard. Soy ink would not exist if it were not for the investment soybean farmers made through their soybean checkoff. The research and development of biodiesel is also the result of efforts made by America's soybean farmers and their checkoff. Let me repeat, a soy-based diesel alternative would not exist today had it not been for the foresight and dedication of farmers who invest soybean checkoff dollars.

That concludes my statement, Mr. Chairman. I want to thank you for convening this important hearing, and for inviting me to testify.

**Written Testimony to the United States Senate
Committee on Agriculture, Nutrition and Forestry
Worthington, Minnesota
August 20, 2001**

**Submitted by Gary Joachim
Minnesota Soybean Growers Association
360 Pierce Avenue, Suite #110
North Mankato, MN 56003
507-388-1635**

The Minnesota Soybean Growers Association would like to list specific recommendations to the Committee as to the Farm Bill now being crafted. However, one very crucial issue must first be addressed.

- MSGA strongly believes that Trade Promotion Authority MUST be granted to the Administration in order for U.S. soybean farmers to remain competitive in the global marketplace. We are facing fierce competition from South America. While they sit at negotiating tables around the world, U.S. soybean farmers are being left out of a rapidly growing world market. Access to foreign markets is crucial to future profitability of American soybean farmers. We won't have access without Trade Promotion Authority.

U.S. farmers face inequities in the prices they pay for crop protection products and access fees for seed technology. The situation is similar to the higher costs we pay in the U.S. for prescription drugs. We feel intellectual property and patent law inequalities can be effectively addressed as part of a comprehensive round of trade liberalization. We need to harmonize the rules of the game around the world to achieve a level playing field.

As to the Farm Bill, MSGA believes several key issues must be resolved. Authors of the previous Farm Bill were clear that the overall economic and trade environment of U.S. agriculture needed to be changed to reduce production costs and enhance the competitiveness of U.S. farm exports.

MSGA identifies the following areas that need to be addressed:

- Agricultural trade must be given the same weight in U.S. economic and foreign policy decisions as accorded by our primary international competitors and customers.
- Export assistance and promotion programs authorized by the WTO must be fully and aggressively utilized, as our competitors do.

- Ineffective unilateral economic sanctions that discredit U.S. reliability as a supplier and encourage our competitors to expand production and exports, must be rescinded and prohibited.
- Funding for U.S. humanitarian assistance programs must be increased and maintained at a level that reflects the United States' responsibility to enhance societal, economic, and political stability in developing countries.
- An effective case must be made for modernizing the U.S. transportation infrastructure, including the lock and dam system on the Mississippi and Illinois Rivers.
- Barriers to U.S. farm exports based on non-scientific standards, including restrictions on biotechnology trade, must be challenged and overcome.
- Funding for agricultural research must be restored and increased. And, Unnecessarily onerous regulations that increase agricultural production costs must be either compensated or eliminated.

In addition to establishing conditions that will foster a competitive environment for U.S. agriculture, MSGA supports the following objectives in the next farm bill:

- Domestic farm programs should be equitable and balanced among program crops, defined as all loan-eligible crops that can be planted on the same cropland on a farm. No program should favor production of one crop over another.
- The primary objective of the next farm bill is to provide adequate long-term price and income support for producers of program crops and other crops that have traditionally received multi-year support under federal farm programs. To the extent additional funding is available, other priorities that are appropriate for omnibus farm legislation should be addressed.
- Provide voluntary incentive payments to encourage improved conservation practices. MSGA strongly supports the Conservation Security Act (CSA). However, incentives provided under the CSA should not come at the expense of price and income supports.
- Increase funding of export promotion and assistance programs, and of foreign food assistance. Food aid should be based on a minimum annual tonnage commitment, which should not be subject to variations in production and the availability of surpluses.
- Programs established under omnibus farm legislation provide multi-year support to crops that are either produced on the same acreage or that have traditionally received support. These crops are also required to comply with conservation measures, including Sodbuster and Swampbuster requirements. Crops that do not

meet these criteria should not be included in the next farm bill. Any assistance required by producers of these crops due to economic or crop losses should continue to be addressed in annual disaster legislation.

Regarding domestic farm programs, MSGA supports key elements of the current Farm Bill, such as full and unrestricted planting flexibility, continuation of non-recourse marketing loans, no statutory authority to impose set-asides, and no authority to establish government or farmer-owned reserves for oilseeds. In addition, MSGA organizations oppose any limitations on marketing loan benefits, fixed income payments, or any counter-cyclical income support payments.

MSGA has serious concerns with some provisions of the House Agricultural Committee's proposal. In order to be eligible for full program benefits, a farmer would need to update bases to the 1998-20001 planting history. But the inequities in target price for soybeans relative to other crops means that many producers will choose to keep the old AMTA bases which date back to the early 1980's. If as proposed by the House there is a ten year farm bill we will be dealing with 30 year old bases and yields. MSGA feels strongly that farm legislation should reflect the reality of today's global economy.

Oilseed producer organizations support maintaining current oilseed loan rates for 2002 crops, and setting these rates as floors rather than ceilings under the next farm bill. The formula for adjusting loan levels to 85 percent of Olympic average prices in the previous five years should be retained, and discretion should be provided to the Secretary to set loan levels above the floor when prices warrant.

Biodiesel:

Personally, as a soybean farmer, I am extremely optimistic about the role biodiesel can play in a National Energy Plan. MSGA commends the Administration for including plant-based fuels, such as biodiesel, in its Energy Policy. Biodiesel is environmentally friendly, and a renewable alternative to petroleum-based diesel fuel. It can be made from soybean oil, recycled fats and other vegetable oils. Biodiesel should be produced in Minnesota where our agricultural commodities are at the end of the export pipeline, and at the end of the petroleum oil import pipeline.

Minnesota led the way in the development of ethanol, a corn-based alternative fuel for gasoline engines. Once again, Minnesota hopes to lead the way in the promotion and production of biodiesel, designed to clean up the harmful emissions from diesel engines. When it convenes next February, the Minnesota legislature will be re-considering legislation that would require the inclusion of 2% biodiesel in the state's diesel fuel supply.

MSGA strongly supports and much appreciates Senator Dayton's recently introduced bipartisan legislation designed to prompt and encourage the increased use of biodiesel

nationally. We believe that Senator Dayton's national legislation will complement our pending state legislation and positively influence the Minnesota state legislature to pass the 2% biodiesel requirement in February.

I also want to express appreciation for the efforts of Minnesota Senator Paul Wellstone, and Representatives Gil Gutnecht, Collin Peterson and Mark Kennedy for their commitment to biodiesel, ethanol and other plant-based alternative fuels. Working together, with each day, more of our energy will come from the Midwest, and not the Mid East.

My name is Bill McMillin. My wife and I have a 45 cow dairy farm near Kellogg. This is in the bluffland area near the Mississippi River. Some of what I will mention is specific to this area. There has been a decrease in dairy and beef farms in the area and an increase in corn and soybean acreage. This has been accompanied by a dramatic increase in erosion in some areas.

We know that grass and alfalfa provide multiple benefits such as controlling erosion absorbing water and reducing flooding than do row crops yet the gov't provides incentives for growing rowcrops but very little incentive for grass or alfalfa.

We know that when an 8-10 slope is planted into beans and the endrows or turnrows run up and down the hill the erosion potential will exceed 30 ton per acre for that endrow area. The yield of beans will probably be about 1.5 ton per acre.

We know that if the farmer breaks up the length of this slope by planting strips of alfalfa and plants a buffer area of grass for a turn area, erosion will be reduced to a tolerable level

We also know that if the farmer does this his gov't payment will be much less.

We know that without good crop rotations pests problems will increase

We know that because of low commodity prices gov't payments provide much of the income for many farmers forcing them to farm the government programs.

We need to ~~learn~~ to apply what we know about reducing soil erosion and improving water quality into our government programs in a way provide a safe abundant food supply and also protect our resources for future generations

I am in favor of globalization if globalization means working as a global community to provide a safe and abundant food supply for everyone and at the same time protecting our resources for future generations.

A cheap feedgrain policy

Results in huge gov't costs

Fuels factory type farming at the expense of family farms that use a "whole system" approach to farming

Results in higher erosion rates, poorer water quality and unsustainable farming practices

Suppliers of farm inputs and the purchasers of farm production are the main beneficiaries, the producers receives enough subsidy to keep him in business

Thank you Bill McMillin

R.T.2 Box 17

Kellogg MN 55945

^{Chemin Dayton}
^{Gutrock}
 Senators Wellstone & Dayton, I am Al Schacht a landowner near Hammond, Mo.

Agree with Mike McCreath

I would like to express some concerns that I think need to be included in the next Farm Bill. Congress has a new opportunity to elevate the importance of private lands conservation by creating incentives to better manage and protect those lands. I believe that expanded, voluntary, locally led and incentives-based initiatives will be the solution in helping America achieve its environmental goals.

State, local and tribal governments and private individuals own nearly two-thirds of the forested land in the U.S. Since these lands are managed by millions of individuals with diverse goals and objectives, the Forest Service's Cooperative Forestry Programs are critical in helping to maintain the health and ability of our nation's forests to produce the values and products desired by the American people.

The public gets tremendous benefits from nonindustrial private forestland. The majority of the NIPF lands are owned by people like me - who for the most part have a strong interest in managing their lands in a sustainable manner but most of them don't have the knowledge to do it. NIPF land owners must be provided with the resources to properly manage them.

Federal funding to help landowners implement sustainable forestry practices is currently far less than what is needed to sustain the resource. The two existing programs designed to provide financial incentives to NIPF landowners are Forest Service's Stewardship Incentives Program (SIP) and the Forestry Incentives Program (FIP) - Both of these programs are seriously underfunded. In fact SIP has received no funding the past three years and the President has requested no funding for the coming year. Neither of these programs provides sufficient flexibility for states to target their highest priority needs or tailor program inputs to their individual state administrative structures.

By the way - the House Aggr. Committee's Farm Bill proposal repeals both FIP & SIP and establishes a Forest Land Enhancement Program funded through CCC and administered by FSA. They got it about half right. Repealing and replacing it with an expanded forestry program is OK but ~~not~~ administered by FSA and funded through CCC.

I would like to see a new financial assistance program replacing FIP & SIP. The new incentives program should allow states to have greater flexibility in determining how to meet national, state and local forestry management objectives. States should have the latitude to set acreage limitations that are appropriate for their needs. The states in consultation with USDA should have the flexibility to determine the percentage of funds spent for education,

financial and technical assistance based on their own individual needs. From what I have been reading and the discussion I have had - this concept has strong support in the forestry community. The NASF have recommended to authorize funding for this initiative at 100 million annually. I agree and support what NASF has suggested.

The current Farm Bill forestry conservation programs are working very well and need to be continued and expanded. The Forest Stewardship Program helps 10 million NIPF owners who own 44 percent of the nation's forestland. It provides for better management and use of their forest resources. - I have a Stewardship Plan on my property. The program is cost-shared with states and provides high quality technical and stewardship planning assistance to landowners.

Every state has developed and is implementing a comprehensive management program to ensure that private forestlands are managed under forest stewardship plans. I recently read an article that stated when landowners have a forest stewardship plan - they are 3 times more likely to implement the plan if they have financial & technical assistance. The Farm Bill reauthorizing should increase Forest Stew Program to 50 million annually.

The Forest Legacy Program helps forest landowners protect environmentally important forests that are threatened by conversion to other uses. Since there is so much subdividing and smaller tracts of forestland (10 acres or less) the Forest Legacy Program helps keep these tracts in forest uses by purchasing development rights while maintaining the right of public access. Operating on a willing seller-willing buyer basis, the program plays a vital role in preventing fragmentation of critical forestland. The program needs to be retained and the authorization needs to increase to 100 million annually.

The Forest Service's Urban & Community Forestry Program in cooperation with States, helps provide leadership for improving and expanding urban forest ecosystems in the nation's 45,000 towns and cities where 80 percent of the people live. It helps states develop current technology and provides grants to urban areas to improve quality of life through tree planting and maintenance and urban tree protection. The authorization of the program needs to be continued and the authorization for funding increased to 50 million annually.

If we are going to continue to lean on private lands to produce 80 percent of our timber supplies and keep them healthy and productive we have to invest for long-term gains. The Farm Bill forestry conservation programs as suggested are critical in achieving local, state, and national natural resource goals.

All of the Programs are currently funded under and through Interior Appropriation Committee - that should continue. (5)

Two other points I would like to make
expand 4.5 million acres

CRP on expiring acres - any reauthorizing of the same acres or new acreage - 50% should be required to be planted in trees -

1950 Soil Bank - when terminated 85% of acreage remained in trees

You have to get the acreage planted in trees to keep it there. Cost-share rental payment recipients just are reluctant to plant up trees.

The last point Conservation Districts need to have a stronger role in implementing components of the Farm Bill including the forestry measures. Hypothetically, 20-25% of funds for technical assistance ~~with~~ should pass through State Forester to Districts that are capable will get the capability and provide professional forestry assistance. This same concept can and should be used through NCRS to local districts,

DOCUMENTS SUBMITTED FOR THE RECORD

AUGUST 20, 2001

We, the undersigned registered voters, request that the United States Senate support a new Farm Bill with at least 45 million acres in the Conservation Reserve Program (CRP). We endorse this expansion from the current 36.4 million acre program to its original 45 million acre limit in order to provide farmer, wildlife and water quality benefits. We encourage passage of this bill in 2001.

Name (Print)	Address	Phone
CLIFTON E. OLLILA	1073 CHARLTON ST. W. ST. PAUL, MN	(651) 955-6392
Brian Berggren	11 Hwy 24 RD 104H 55077	651-451-2009
MarJean S. Oberer	7647 Bowman Ct IGH 55076	651-457-5630
Patricia Retzler	8195 Custer's Tr E IGH 55076	651-457-9800
Erik Schimek	158 Riverwood Ln Burnsville, MN	651-384-8000
Anne Marks	8195 Custer STR. IGH 4579809	
Betty McElm	1029 Longworth Washington D.C.	
CRAIG STOWELL	1920 OAKDALE #207 W. ST. PAUL 55115	
Virginia Lanegran	251-4th Ave. So. S. St Paul 55025	
JC Cwirin	179 E. Little Canada Rd #134	55117
DEE RICHARDS	4734 RIDGE WIND TR. SHAN, MN	651-454-2916
Doug Knapp	2483-79th St. E IGH MN 55076	
KENT GRAVELLE	4895 ASHLEY LN., #222 INVER GROVE HTS. MN	55077
Pat Killeen	2956 53rd St. I.G.H. MN.	55076
Lea Kammerer	3600 E. 102nd St. IGH	55076

We, the undersigned registered voters, request that the United States Senate support a new Farm Bill with at least 45 million acres in the Conservation Reserve Program (CRP). We endorse this expansion from the current 36.4 million acre program to its original 45 million acre limit in order to provide farmer, wildlife and water quality benefits. We encourage passage of this bill in 2001.

Name (Print)	Address	Phone
CARA JOHNSON	6827 Benton Way IGA, MN 55076	651-451-8801
Yvonne Kullen	216 E. Douglas St SSP	451-3776
Dian Piekarski	7609 Babcock Trail IGA, MN 55077	453-1051
Richard Nadler	610 Kirkman Ave Hendricks, MN	458-2398
Suzanne Savarick	1482 Pennock Ave Apple Valley, MN 55124	952-432-7990
GREG PIEKARSKI	7609 BABCOCK TRAIL IGA, MN 55077	(651) 453-1051
JAMES M KETTLER	8195 CUSTER TRAIL IGA, MN 55076	651-457-9809
John C Killen	8761 Delaney IGA, MN 55076	651 306-3810
John W. Hines	282 Crookview Dr S Afton, MN 55001	651-998-0815
Mike Fresvik	2414 Elm Dr. White Bear Lake, MN 55110	651-773-9607
John Peckham	4233 Scott Terr Edina, MN 55416	952 925-0288
Paul Leman	8220 Elm Ave S Maple, MN 55406	651 217 4882
Robert Abel	8464 Pine Ct Victoria, MN	952 443 3116
Bruce Montgomery	8787 GLACIER RD WOODBURY, MN	651 731 4504
Gregory Zukerman	3133 44th Ave So. Mpls 55406	612-724-0929

We, the undersigned registered voters, request that the United States Senate support a new Farm Bill with at least 45 million acres in the Conservation Reserve Program (CRP). We endorse this expansion from the current 36.4 million acre program to its original 45 million acre limit in order to provide farmer, wildlife and water quality benefits. We encourage passage of this bill in 2001.

[illegible]

151

Testimony

For The Record

Honorable Senator Debbie Stabenow

United States Senate Agriculture, Nutrition & Forestry Committee

702 Hart Senate Office Building
Washington, D.C. 20510

August 20, 2001

THE FOOD STAMP PROGRAM

Submitted by

Marilyn Carnes, Program Coordinator, Road To Success Mentoring Project
Faith Access To Community Economic Development (F.A.C.E.D.)
310 East Third Street - 5th Floor, Flint, Michigan 48502
Phone: (810) 232-7733 Fax: 232-9833

The Honorable Senator Stabenow and members of the committee, thank you for the opportunity to submit this testimony for record before the Agriculture, Nutrition and Forestry Committee. I am concerned about funding for the Food Stamp Program for families transitioning from welfare to work. The Food Stamp program is one of the most important programs for low income families. Please help us maintain and strengthen this program.

My name is Marilyn Carnes and I am a Program Coordinator at Faith Access to Community Economic Development, a non-profit, faith based community organization focused on the spiritual, emotional and physical health of low income residents in Genesee County of Flint, Michigan.

I am submitting testimony to you on behalf of the Road To Success Mentoring Project and its' participants. Road To Success is a component of Project Zero, conducted by F.A.C.E.D., in affiliation with Family Independence Agency of Genesee County and Michigan Works! Career Alliance, Inc. This mentoring project was designed to provide supportive and informational services to families on public assistance, helping them to become self-sufficient.

Julie is a participant receiving mentoring services through our program. She is working full time earning \$6.75 an hour at Spiegels Outlet in Birch Run. Julie has maintained her job over a year. Yet, the medical coverage provided only for her daughter still places her below the poverty level and unable to survive on her income alone. However, food stamps help make ends meet for her family.

Rae works two jobs each part time, yet she has called our office for an emergency food referral because of the rules imposed on her by the food stamp program, which disallowed her food stamps. This situation presented her family with a hunger crisis, because she had no more food one week prior to receiving her pay check. Without food stamps they cannot feed their families, sometimes even with the Food Stamps they run out of money at the end of the month. It has been our experience that most referrals are for housing and food. During the winter months and in particular around holiday seasons, we are flooded with requests for food.

Think about these young ladies managing lifes challenges, facing the frustration and difficult requirements to fill out the volume of paper work and having to reapply every three months. Can we prevent this additional emotional and physical stress for hard working moms trying to improve their lifestyles?

Please take note these women are mothers, aunts, divorces, employees, and with even more expected social roles they must maintain. Over the past year their lives involved dealing with domestic violence situations, the death of a parent, a divorce, and child care as they continue to move through the very difficult transitional process of becoming independent, no longer needing assistance from the welfare system.

In closing, I urge you to consider communicating to your committee the following:

- (1) Please provide more money for food stamps
- (2) Restore the inflation adjustments removed for the program in 1996
- (3) Minimize the volume of paperwork required
- (4) Maximize the the time frame one qualifies for Food Stamps

Thank you

A handwritten signature in cursive script, appearing to read "Marilyn Carnes". The signature is fluid and connected, with a large initial "M" and a long, sweeping "C" for "Carnes".

Marilyn Carnes

Most small farms have developed a "whole farm system". This system includes a crop rotation which contains alfalfa. Alfalfa helps to hold the soil in place and also supplies nitrogen for the corn crop which usually follows alfalfa in the rotation. The manure from the animals is usually sufficient to provide most of the fertilizer needs for the farm. Farmers in hilly areas usually alternate fields of corn and alfalfa on the hillsides, this helps to reduce soil erosion. This system works well and makes sense.

This type of system can work for larger and expanding farms if there is enough nearby farmland for the farmer to grow crops and haul manure. Usually this is not the case. What I often see happen, is that the farmer rents a farm miles away. Often the farm is planted into all corn or corn and soybeans because they are less labor intensive. The larger dairy farms usually rely more on corn silage. Corn silage is lower in protein than alfalfa. Thus the farmer needs to feed more soybeans (a high protein crop). The end result is the farmer has substituted corn silage and soybeans, 2 crops which require high rates of chemicals combined with high erosion rates for alfalfa which requires very little chemicals and has low erosion rates. Since the farmer does not own the land often he is more concerned about immediate returns from the land rather than the long term effects of soil erosion and water pollution.

Add to this the fact that feed raised must be hauled back to the home farm and manure hauled to the rented land, which often causes hazards and congestion on the highways and often tears up township road.

When one combines the environmental and the economic benefits small family farms provide to the community, I feel this makes a strong case for the preservation of the small family farm:

Economic benefits have been well documented by several researchers including the U.O.F.M.'s Dick Levins.

**Statement of Richard Zupp, President
Minnesota Association of Soil and Water Conservation Districts
relative to the
Conservation Title of the Farm Bill
Presented to the United State Senate
Committee on Agriculture
August 20, 2001**

Conservation Driven Farm Bill

The Minnesota Association of Soil and Water Conservation Districts (MASWCD) is a nonprofit organization that represents 89 Soil and Water Conservation Districts and 445 locally elected supervisors who serve on their boards. The SWCDs are local units of government established under Minnesota state law to carry out natural resource management programs at the local level.

The MASWCD's guiding principals for future Farm Bill conservation programs are:

- Maintain a voluntary, incentive-driven approach to help private landowners and managers protect their soil, water, wildlife and related resources.
- Increase local leadership and involvement in implementing programs, setting priorities, developing policies and advocating natural resource conservation and management.
- Correlate Conservation Program Funding with Implementation Funding

Background

Since the enactment of Title XII of the Food Security Act of 1985, conservation has become increasingly important in debates concerning the Farm Bill reauthorization. Minnesota's Soil and Water Conservation Districts work with the USDA Natural Resources Conservation Service (NRCS) and the Farm Service Agency (FSA) to implement voluntary financial incentive programs for private landowners. These federal programs include: the Conservation Reserve Enhancement Program (CRP), Wetland Reserve Program (WRP), Wildlife Habitat Incentives Program (WHIP), and the Environmental Quality Incentives Program (EQIP) to name a few.

Minnesota's Soil and Water Conservation Districts (SWCDs) have been involved in implementing all of these programs. Although the conservation partnership has been successful in many respects - reducing soil erosion, improving water quality and enhancing wildlife habitat - there have been a number of roadblocks to achieving their full potential. Funding has been critically short. Not only have the financial incentives programs been seriously under funded, lack of adequate technical assistance to help landowners apply critical practices has been a major impediment to achieving the goals set forth in the Farm Bill.

Conservation Incentives Program

Minnesota's Soil and Water Conservation Districts believe it's time for a new direction in our state and nation's conservation efforts. As part of the 2001 Farm bill, our National Association, the National Association of Conservation Districts (NACD), proposes a voluntary, incentive-driven approach called the Conservation Incentives Program (CIP).

Under this program, producers will be offered progressive incentives to maintain or adopt conservation practices and systems. Depending on the extent and level of complexity of their practices and systems, producers are compensated at various levels. The more extensive their participation, the higher the financial incentive

Enhancing and Expanding Current Programs

The financial incentives programs authorized in earlier Farm Bills will expire in 2002. Several including the Wildlife Habitat Incentives Program have already used up their funding authorization. The Wetlands Reserve Program and the Conservation Reserve Program are both nearing their acreage caps. The Environmental Quality Incentives Program has been under funded for the past three years. Most of the Farm Bill's private lands forestry programs including the Forestry Incentives Program are also scheduled for reauthorization and need to be refocused to address new challenges to private woodlands.

Conservation Reserve Program (CRP)

MASWCD recommendations for the CRP program include:

- Increase the CRP acres cap from the current limit of 35 million acres to 45 million acres.
- The Environmental Base Index used for CRP should be a product of the State Technical Committee and not designed as a "one size fits all" program criteria at the national level. State should retain the flexibility that will allow them to choose the criteria that give them a high EBI.
- Haying, grazing and timber harvest on CRP lands should be prohibited unless those activities conform to a district-approved plan that will maintain buffers, benefit wildlife, improve cover quality and reduce erosion. Conservation Districts urge Congress to accept recommended language proposed by USDA to amend CRP to allow high intensity, short-term livestock grazing as an authorized maintenance and management practice on RCRP contract lands.
- The contract provisions for CRP should not provide for an early out during the contract period since it was a mutually acceptable contract period at the time of signing.
- Designated funding for technical assistance to support program implementation. Provisions should be made for USDA to contract with local SWCD for implementation assistance.

Environmental Quality Incentive Program (EQIP)

- Increase funding for EQIP.
- Twenty percent of the program dollars should be designated for technical assistance to support program implementation. Provisions should be made for USDA to contract with local SWCD for implementation assistance.
- Provide flexibility for landowners. Allow for cost-sharing and incentive payments for annual conservation practices. Currently provisions within EQIP do not allow one-time payments for single conservation practices on a particular tract of land.

Wetland Reserve Program (WRP)

- MASWCD recommends extending WRP's authorization and allowing enrollment of an additional 250,000 acres annually
- Minnesota currently receives \$5 million annually for this program. In Minnesota there is a backlog of landowner applications totaling approximately \$15-\$20 million.

Forestry Incentives

MASWCD supports federal funding to assist private forestland owners in implementing sustainable forest practices. Current trends toward smaller parcels in private ownership of forest land are putting a tremendous strain on stewardship efforts with limited staff at all levels of government.

Recognize Local Decision-Making and Implementation

While Congress has provided funding devoted to private lands conservation, the state and local governments have dramatically increased their investments in conservation. The nation's conservation agenda should provide for a federal, state, local and private natural resources conservation program that consolidate jointly funded efforts into a unified field service delivery system.

Correlate Program Dollars and Implementation Dollars

It is critical that Congress increase funding for implementation of the conservation provisions within the Farm Bill. Funding recommendations include designating twenty percent of conservation program dollars to technical assistance to support program implementation. Also, Congress should secure funding for the USDA to contract with the Soil and Water Conservation Districts to assist USDA with implementing the provisions within the Farm Bill. Soil and Water Conservation Districts work closely with the USDA Natural Resources Conservation Service (NRCS) and Farm Service Agency (FSA) to implement work with landowners to implement conservation practices

Two years ago, the MASWCD worked with our National Association of Conservation Districts and several of our partners to collect extensive data on the challenges facing private lands conservation through the National Field Workload Analysis. The purpose of that analysis was to examine the staff years of technical support needed at the field level to carry out 29 core work elements each year. Most of the work elements encompass Farm Bill program objectives. The data collected through the workload analysis painted a

stunning portrait of private lands workload needs across the State of Minnesota. To effectively address the total resource needs on Minnesota's private lands would require additional 240 staff years of technical assistance from all sources.

Clearly, increased investments in technical assistance and implementation will be necessary to get conservation accomplished. It is critical that Congress establish stable sources of funding for the Farm Bill programs and the implementation assistance for landowners.

Conclusion

Over the past 15 years, the Farm Bill has become one of the most important vehicles in providing landowners with guidance and assistance in protecting and enhancing Minnesota's natural resources. It is important to continue and enhance the conservation programs and delivery system to implement conservation on our private working lands.

I'd personally like to welcome both Senators Skell-stone and Dayton to our area, and once again I'd like to thank Senator Dayton for a previous trip to S.E. Mn. to meet with a group who had concern about a large proposed feedlot here in our East area. He agreed with us and was supportive when he heard we are already dealing with a lot of contamination due to our least surface the toxic waste from Ironwood landfill and leaking fuel from Arnesco. Already the bacteria level in stream is elevated far above the 200 unit acceptable level up to 13,000 units and of the 23 rural wells randomly sampled, 20 have both Coliform and E. Coli.

These facts point to how important conservation methods are to agriculture in the East area. This map shows how extensive it really is in S.E. Mn. with its sinkholes and caves, as well as other parts of agriculture even if some other parts of Mn. show nothing. Therefore we were dismayed that our farm policy allowed release of C.R.P. acres with few limitations about conservation practices. Many of these fields are highly erodible, but are planted to corn and soybeans. Why? Because there is no subsidy for grazed land but there is for production from row crops. Actually our government spends \$2.9 billion annually on farm programs that do little to help those who most need it (small and medium sized farms) but most is targeted into large mega farms where often legal devices such as dividing farms into units between spouses has been put into play in order to derive still more income. These large operations are not what most of us would call a family farm - where the owner lives on the land and he and his family do a high proportion of the labor, but instead they are Corporation farms.

Often the Corporation used the reputation of a local farmer in order to get established in a community. In some cases the organization provides new facilities, the animals, the feed, but it has a contract that says their company gets the animals or slaughters. As time goes by, the farmer (who is the laborer) finds he is more and more indebted to the Corporation. Eventually the equipment wears out and so does the farmer. That effect is there on the neighborhood? The family farmer is unable to compete with the Corporation for any land that comes up to rent or buy, but he has to deal with any water or air pollution from the Corporation farm. The whole community has not benefited either economically or socially because the Corporation circumvents the community. The Corporation's semi-trucks come and go on the rural roads with the animals. They bring the feed which eliminates a need for local elevators or mills. These small towns (they call) and schools (whether). The small town retail store dies!

But experts tell us that we all need to increase our production, even if there is over production. They tell us we need new facilities to contain our cattle, need a bigger herd size, and we need new bigger equipment to plant and harvest our bigger crops. Some already large producers buy into that theory to the point that they need to get still bigger in order to make a living, or so they say. This message is a real deterrent to a young farmer who knows he would have to begin smaller than that, so he doesn't try. I personally know several family farmers milking 60-70 cows who say "we are getting along just fine" even if they might enjoy higher milk prices.

Have you heard the saying, "There is no such thing as a free lunch. Whatever we receive from our government, we pay for with the loss of our freedom"? Most farmers would actually like to remain independent. There are those farmers who would prefer to settle for a smaller income, if they could eliminate the risk of carrying a heavy debt. Perhaps they could make use of more sustainable ag. using rotational grazing to feed their animals or installing strips, terraces or dams on their highly erodible acres instead of row crops. It would eliminate the cost of the large housing structure, big expenditures for feed storage, and money for multiple row planting and harvesting equipment. And while providing for his family, he would still not be abusing his acres or his neighbors.

We have seen the number of family farms and rural communities in deep decline with our present agricultural policy. I'd like to see the family farmer enjoy a level playing field due to your political decisions.

Yours truly,

Bob Ed Eloda Wood

R1 Box 161

Sheykoff, Minn.

55990

Efford Oestreich

Box 143
Shawutubo, Min. ~~55476~~ 55476

I have worked with farmers the last

30 years:

I hope you people in Washington DC
and St Paul will support and encourage
production of Ethanol in the U.S. It is
a very good product produced in this
Country which is mainly made from
corn. Ethanol can help to increase
the value of corn produced by farmers.
This is badly needed as the price of corn
is very low.



Minnesota FoodShare,
an interfaith collaboration,
achieves solutions to hunger
through community action.

To: Senate Agriculture Committee

From: Barbara Thell, Director

Date: August 20, 2001

A handwritten signature in cursive script that reads "Barbara Thell".

*Minnesota FoodShare is
a program of the
Greater Minneapolis
Council of Churches,
co-sponsored by:*

*Catholic Charities of the
Archdiocese of St. Paul
and Minneapolis*

*Jewish Community Relations
Council of Minnesota
and the Dakotas*

Minnesota Catholic Conference

Minnesota Council of Churches

Minnesota Rabbinical Association

*The St. Paul Area
Council of Churches*

1001 East Lake Street
P.O. Box 7509
Minneapolis, MN 55407-0509
Tel (612) 721-8687
FAX (612) 722-8669
Email: foodshare@gmcc.org

This March Minnesota FoodShare mobilized individuals, corporations, congregations and organizations across the state of Minnesota. Our efforts raised over 6,000,000 pounds and dollars of food which will provide only 50% of the emergency food needs for our 258 food shelves.

This summer there have been dramatic increases in need, especially from those who are working but unable to make ends meet.

Representing our 3500 member advocacy network and the thousands of individuals who work to fight hunger, we urge the Senate to support substantial food stamp funding to help meet the needs of hungry people, including legal immigrants. This includes raising the amount to families and individuals, plus increasing efforts to make the program more accessible.

We also urge funding of WIC at \$4.247 billion, support for TEFAP mandatory funding at \$100 million for commodity purchase and \$50 million for administrative support.

All of these efforts are needed to meet the immediate needs of the hungry, as we all work to find long term solutions to poverty.

Thank you for your efforts to listen and resolve this important national issue.

**Minnesota FoodShare
Yearly Food Shelf Use Statistics
1995 - 1999**

<u>YEAR</u>	<u>TOTAL INDIVIDUALS</u>	<u>HOUSEHOLDS</u>	<u>POUNDS</u>
1995	1,333,333	419,954	19,678,656
1996	1,344,991	433,214	23,075,760
1997	1,342,041	431,442	24,054,460
1998	1,273,440	408,335	24,441,388
1999	1,247,196	425,583	24,712,201
2000	1,208,279	396,002	26,113,580

Reports from the field - usage is up from last year due to layoffs, rising costs
Total Individuals: Includes all individuals seen at foodshelves in Minnesota for the year, adults and children. This is a duplicated number. In other words if an individual visited a foodshelf five times in the year that individual is counted 5 times.

Total Households: This is the number of households that visited the foodshelves in the given year. This is also a duplicated number - if a family visited a foodshelf five times in the given year the household is counted five times. Statistics are kept in this manner to show the actual number of clients having to use a foodshelf in a given year.

Total Pounds: This is the total number of pounds distributed by foodshelves statewide to the households listed.

For further information contact: Sue Kainz, Campaign Coordinator of Minnesota FoodShare - 612-721-8687 e326.

ENCOURAGING FAMILY FARMS: A POLICY PROPOSAL

By

Joe Malacek

28375 – 710 Avenue, Redwood Falls, MN 56283 507-641-3147

Introduction

I have farmed in southwest Minnesota since 1955. I am now retired, and am looking back at the many changes farming has experienced since I started farming. Prices have been up and down, policies have come and gone, and farms have gotten larger and larger. One thing that always seems true, however, is that there are fewer and fewer family farms.

I am worried about the future of family farming in this country. Family farms are the best caretakers for our natural resources. Family farms are competitive and efficient. And family farms are the backbone of rural economies. The loss of family farming is more than I think we can bear.

Over the years, and especially lately, I have been thinking about how to save family farms. I have talked with my neighbors and some University experts, too. I offer this proposal in hopes that it will lead us in the direction of having more, not fewer, family farms in America's countryside.

What Is a Family Farm?

There have been many definitions of family farms over the years. I will use a simple definition: a family farm produces enough agricultural products to have no more than \$250,000 per year in total expenses. The farm must also have at least \$20,000 in

total expenses to meet my definition. I admit that defining family farms by expenses, rather than sales, is a bit unusual. Sales vary so much that a farm may meet the definition of a family farm in one year, and not the next, simply because product prices have changed. I have used expenses in my definition because they don't vary nearly as much from year to year.

The overall goal of my program is that a family farmer should receive about a 15 percent profit on production expenses. Expenses range from \$20,000 to \$250,000, so the family farmer's income will average in the range of \$3,000 to \$37,500. The upper end of this range is in line with what it takes to raise a family in rural America.

How Would Farmers Qualify for My Program?

Each county would elect a county committee. Then, each of these committees would determine which crops make sense to produce in their county. For each of these crops, the committees would determine two things: (1) a reasonable average yield, and (2) a reasonable cost of production. Counties may also have separate estimates of yields and costs for the same crop in cases where soil productivity levels need to be considered. The selection of crops, yield estimates, and cost estimates would be reviewed and approved by USDA for each county.

Participation in the program would be voluntary and restricted to those at least 21 years of age and whose principal occupation was farming. A farmer desiring to participate would agree to farm no more land than would be required to produce at a level requiring \$250,000 in expenses. If the farmer decided plant more land, he or she would not be eligible for any program benefits. Also, a farmer who did not plant at least enough land to have \$20,000 in expenses would not qualify for the program. Remember, these

are not necessarily actual expenses; the expenses are determined from numbers established by the county committees.

If the participating family farm was to support more than one family, and each family would meet the program requirements, then each family's allocation could be combined on a single farming unit.

In return for participation, the farmer would be guaranteed a 15% return over the county-estimated expenses for farming his or her land. Here, the program is different than many others. My goal is not to support prices *per se*, nor to support the income of all farmers. Rather, it is to support the incomes of a certain group of family farmers that are uniquely suited to enhancing rural economies and quality of life.

The farmer would sign up with FSA for the program at the beginning of each crop year. FSA would certify the farming plan, then later certify that the plan was being followed. Final yield levels would also be certified by FSA.

How Payments Would Be Made

A participating farmer's income would be supplemented in 12 monthly payments. I will call these payments "income deficiency payments". The income deficiency payments would guarantee the farmer a monthly income that would, over the course of a year, cover the county-estimated production expenses plus a profit of 15 percent. I will call this monthly income the "target monthly income".

Beginning with harvest, the county committee would calculate the income a participating farmer would receive at prevailing prices if he or she sold one-twelfth of a normal crop, that is, one that would be produced with county-estimated yields. The farmer would receive an income deficiency payment that would cover any shortfall

between the income that would be received from those sales and the target monthly income. If the sale of this portion of the crop would bring an amount higher than the target income, no payment would be made for that month.

I think it would be best if farmers actually sold one-twelfth of a normal crop (or, equivalently, fed it to livestock on the farm) each year. Prices would be more stable, and buyers of farm products would have a steady and reliable supply. At the same time, I think my program would be best received if as many farmer decisions as possible could be voluntary. Therefore, some penalties might be needed to encourage farmers to market in an orderly fashion and to keep the farmer owned reserve that I will now describe at desired levels. These penalties could be added as more details of my program are developed.

The Farmer-Owned Reserve

The income deficiency payments are based on normal county yields, not actual yields. Normal yields will seldom match the actual production, of course, since actual yields vary from year to year due to weather and other factors. In some years, selling one-twelfth of the normal crop every month will not use the entire crop; in other years, there may not be enough actual production to meet the monthly sales requirement. These surpluses and shortfalls will be handled with a farmer-owned reserve. In addition to crops from the current year that are awaiting sale, a program goal will be that each participating farmer will have an additional 35 percent of a normal year's crop in the farmer-owned reserve. USDA would determine a fair storage payment and reimburse participating farmers accordingly for all crops in the reserve.

The government would have the authority to require sales of crops in the reserve in order to stabilize prices when current production is unusually low. The income from those sales will stay with the farmer, and will be in addition to the income deficiency payments. Those refusing to sell when required to do so would lose program eligibility (including storage payments) for the remainder of the year.

The reserve could also become too large in some years. Then, the government would buy crops from the reserve directly from the farmers at prevailing prices. This income, too, would stay with the farmer in addition to any income deficiency payments received. The government should have programs in place to use crops for food aid, energy, and other such purposes so the total amount in reserve can be kept manageable, and program costs do not become too high.

To help encourage farmers to keep 35 percent of a normal year's crop in the farmer-owned reserve, subsidized crop insurance should not cover more than 65 percent of a normal year's crop. In most years, participating farmers should rely on the reserve cushion, and not crop insurance, in times of short crops. Only if crops were very short, as might occur in an extreme weather event, would crop insurance come into play.

An Example

Suppose a farm will grow enough corn and soybeans to require \$250,000 in production expenses as established by the county committee. The target income for that farmer is 15 percent of that amount, or \$37,500. The farmer must therefore have sales of \$287,500 during the year to meet the income target. The target monthly income is one-twelfth of that amount, or \$23,958.

Suppose that, for all of the acres planted, the county committee had determined a normal production level of 62,000 bushels of corn and 18,000 bushels of soybeans for the farm. The farmer would be encouraged (but not required) to sell one-twelfth of these amounts, that is, 5,167 bushels of corn and 1,500 bushels of soybeans, each month, regardless of actual production levels. If actual production was higher, the farmer would put the excess into the farmer-owned reserve. If production was short, the farmer would sell enough from the reserve to make up the difference.

Now, in the first month, suppose that the farmer could sell 5,167 bushels of the corn and 1,500 bushels of the soybeans and, at prevailing prices, receive \$22,000. The farmer would get an income deficiency payment for \$23,958 less \$22,000, or \$1,025, regardless of whether the crop was actually sold in that month. In the next month, suppose that the farmer could sell the same amount of corn and soybeans at higher prices, so \$26,300 would be received. No payment would be made for that month. This process continues for all twelve months. At the end of the year, the farmer who chose to sell one-twelfth of a normal crop each month would have made at least the target sales amount of \$287,500, which in turn guarantees the target income of \$37,500.

Encouraging New Farmers

It is not enough to protect the family farms we have. We must also find ways to bring new family farmers on the scene. Acquiring land is one of the biggest obstacles to entering farming. I would therefore have a special program for landowners that would give them special incentives to rent or sell land to farmers who met my definition for a family farm.

Imagine that a farmer (new or existing) needed more land to be able to participate in the program. Any landlord who agreed to rent land to a participating farmer for 75% of the going rate would pay no income taxes on that rental income. The government's lost income tax from the renters would be at least partially offset by increased taxes paid by the farmer.

The Benefits of This Program

This program would be a big step in keeping family farms from being driven off the land by bigger operators. Only family farms would receive payment benefits, and there would be special incentives to make land available to family farms.

My program would allow crops to flow onto the market at an even rate throughout the year, and prices would not have such drastic ups and downs that penalize everyone. The government would also gain a food reserve at relatively low cost.

I also think this program would be easier to sell with our new view of international trade. The program has a goal of providing a farm structure that is best of rural communities. Schools, hospitals, and main street stores would all be better off with more people making a decent living on family-sized farms. On the other hand, the program does not directly interfere with farm product pricing, nor does it support the income of all farmers. Farm product prices will continue to be driven by world market conditions.

The Minnesota Legislature had this to say:

"The legislature finds that it is in the interests of the state to encourage and protect the family farm as a basic economic unit, to insure it as the most socially desirable mode of

agricultural production, and to enhance and promote the stability and well-being of rural society in Minnesota and the nuclear family” (Minnesota Statutes, Sec. 500.24)

I completely agree with this statement, and hope my policy ideas move us further toward our goal of enhancing family farming throughout the United States.

August 20, 2001

My name is John F. Beckel. I am a retired agricultural banker with a background of agricultural production, an education in agronomy and economics and over 40 years in financing agriculture, farm management and farm operation.

Farm legislation has long been a concern of mine. Throughout the years farm legislation has not been geared to help family farms but to encourage the growth of large farming interests with greater benefits than those received by the family farmer. These large operations do not support the local communities but make their purchases at distant businesses again taking employment from the rural areas.

A just farm policy should not be used to force family farms out of business. Subsidizing factory farms puts more people in low paying jobs, takes jobs away from rural communities, pollutes land, air and water and mines the soil while looking only to the immediate cash returns.

Price supports should be used to encourage the family farm by giving them payments that will support their families. These price supports should not add profits to factory farms that will take them from the local communities and force more people into the metro areas.

Integration of production, processing and marketing reduces markets for the family farms and small businesses. This eliminates markets and reduces prices that they receive for their products.

Support payments should be limited to operations with gross incomes less than \$300,000. Public support should not be given to factory farms but to provide a living wage to farm families using family labor and limited outside labor.

John F. Beckel
201 20th St. N.W.
Austin, MN. 55912

Comments of
AgStar Financial Services, ACA

Provided to the
United States Senate
Committee on Agriculture, Nutrition and Forestry

August 20, 2001

Mr. Chairman and members of the committee, AgStar Financial Services would like to thank you for the opportunity to provide written comments regarding the credit title of the upcoming farm bill. AgStar would also like to thank you for holding Senate Agriculture Committee hearings in Minnesota and providing an opportunity for Minnesota's farmers and others to express their views on the proposed features of the 2002 farm bill.

AgStar Financial Services, headquartered in Mankato, MN, is part of the Farm Credit System. As you know, the Farm Credit System is a nationwide financial cooperative that lends to agriculture and rural America. Congress created the system in 1916 to provide American agriculture with a dependable source of credit. This includes financing for land, machinery, housing, seed, feed, chemicals and other needs. Multi-peril, crop-hail and life-disability insurance are also available, as well as record-keeping services, tax preparation and estate planning.

AgStar Financial Services serves 12000 customers in fifty -three counties in southern and northeast Minnesota, as well as in sixteen counties in northwest Wisconsin. As dictated by the Farm Credit Act of 1971 our mission is to serve the credit needs of all segments of agriculture as well as the needs of agribusiness and rural America in general. We have an active Young Beginning Farmer (YBF) program and we encourage all customers to utilize Minnesota's Rural Finance Authority (RFA) or USDA's Farm Service Agency (FSA) programs, and we have been an active supporter of the Minnesota Ag Best Management Practices Program.

We have limited our comments to the credit title of the farm bill because the nature of our business relates most directly to that title. However, AgStar also has a keen interest in many of the titles of the farm bill including the commodities, conservation, and trade sections. We applaud the efforts of the Senate Agriculture Committee as well as your counterparts in the House of Representatives for seeking input from a variety of sources and for considering the broad array of recommendations which have been advanced by farm groups. We believe the continuing AMTA payments and countercyclical payment structure based on target prices which are being considered are critical to the economic health of Minnesota's farmers.

Of particular concern and interest to AgStar are measures that will allow young, beginning and small farmers to be able to either remain in the business of farming or to establish a farming operation for themselves and their families. Farming is a highly capital intensive business. It is difficult for young and beginning farmers to access the capital they need to start a farming operation. The programs the FSA has to assist this group of farmers needs to not only be preserved but strengthened.

What follows are several recommendations AgStar believes Congress should consider when writing the Credit Title of the next Farm Bill:

1. Increase the limit on Farm Service Agency (FSA) guaranteed loans any one individual from \$750,000 to \$1.5 million. The current limit is restrictive on many family farm operations, especially dairy and pork producers.
2. Increase FSA funding for interest rate buy-downs on guaranteed loans to small/young/beginning farmers.
3. Raise the ceiling on low documentation FSA guaranteed loan applications from \$50,000 to \$150,000. This provision is included in the House version of the next Farm Bill and should be retained.
4. In addition to the existing direct loan program, authorize a guaranteed lending program for on-farm storage.
5. Reduce the paperwork burden now associated with the assignment of USDA benefits. At present, the Department of Agriculture requires that the lender and borrower sign an FSA assignment form and file it with the local FSA office each time Congress authorizes a new payment program (as occurred in 1998 - 2001). This process could be simplified by:
 - Authorizing FSA to create a blanket assignment form that would cover all USDA program benefits.
 - Allowing the assignment of USDA benefits without using an FSA assignment form. Instead, allow the lender to protect his position by a Uniform Commercial Code (UCC) filing on program benefits in the same manner as a security interest is obtained in other contractual transactions.
6. Include report language to express the intent of Congress that programs designed to assist small/young/beginning farmers are fully funded to meet the needs of all who fulfill eligibility criteria.

Credit issues need to be a key area of focus in the next farm bill. Reliable and available credit is essential to the success of any farming operation and this is especially true for young and beginning farmers. AgStar and other Farm Credit System institutions are eager to play an integral role in providing credit to rural communities. We appreciate the opportunity to comment on the ways in which Congress can aid in lending stability and economic strength to the agricultural community. Thank you.

UNIVERSITY OF MINNESOTA

Southern Research and Outreach Center
 MARK DAYTON
 Southern Experiment Station
 College of Agricultural, Food,
 and Environmental Sciences
 35838-120th Street
 Waseca, MN 56093-4521
 507-835-3620
 Fax: 507-835-3622
 2001 AUG 28 AM 10:49

August 27, 2001

Senator Mark Dayton
 Federal Building, Suite 298
 Fort Snelling, MN 55111

Dear Senator Dayton:

First, I'd like to compliment you, your staff, Senator Wellstone, and Congressman Gutknecht on the fine hearing conducted last Monday relating to development of the new Farm Bill. Because of the large number of people testifying, I visited with Marc Kimball of your staff, who said I could send material to you within 10 days for inclusion in the official public record.

The attached document, which was sent to you and Senator Wellstone and Congressmen Gutknecht and Kennedy in July, outlines my concerns for the future of agriculture and its sustainability, especially in southeastern Minnesota. After being raised on a farm in southeastern Minnesota and conducting field research in south-central and southeastern Minnesota for the last 30 years, I've witnessed tremendous changes in southern Minnesota agriculture. Some changes are quite disturbing and lead me to question the sustainability of present-day agriculture. Therefore, I request the enclosed document and this letter be entered into the official record of the August 20 hearing.

In my opinion both near-term and long-term agriculture in the Midwest and the rural economy and communities would be served better if the following four ingredients were included in the new Farm Bill:


- 1) **Enforceable, compliance-based, conservation incentives need to be tied directly to LDPs or other production assistance programs.** In my opinion the NRCS must re-assume the role of soil stewardship watchdog. They must become visible and strong advocates for soil conservation and be ready to enforce the implementation of conservation practices while working in conjunction with FSA.
- 2) **LDPs should be expanded to other less erosive crops such as alfalfa, hay, or grass pastures.** This would be especially significant for the more highly erodible landscapes, which have been suitable for alfalfa and various grass pasture species for dairy enterprises. Presently, many of these smaller dairy enterprises are being replaced by corn and soybeans. In my opinion soybeans should not be grown on many southeastern Minnesota fields.

- 3) **Research must accompany landscape changes affected by the new Farm Bill to determine the economic, environmental, ecological, and social effects of strategies suggested or practices implemented as a result of the Bill.** Monitoring research to provide a temporal and spatial assessment of the practices is needed on a watershed and field-scale basis. Research and modeling efforts must be undertaken to understand the uncertainties, impacts, and processes associated with the implementation of "Farm Bill" practices. This type of research is necessary to evaluate strategies associated with the new Farm Bill and to assist in the revision of these strategies as needed.
- 4) **Alternative uses for less traditional crops must be developed through public-supported research.** Much effort has been directed recently toward enhanced food and energy uses of corn and soybeans. This good work has been largely supported by private industry and the corn and soybean commodity organizations. However, I see very little being done to develop alternative uses for the less erosive, non-traditional crops. The new Farm Bill should contain language authorizing public-supported research to develop energy, quality components, nutraceuticals, etc. from these crops. In other words, we need to adjust our paradigm from "feeding the world" with annually planted feed grains and oil seeds to a paradigm that includes a broad array of uses for perennial crops that protect the environment and provide ecological diversity.

Adopting more diversified cropping systems would move us to sustainability more quickly than any other practice. However, it would likely affect this country's "cheap food" policy. Also, the diversified annual and perennial cropping systems should be targeted in particular to those most sensitive agroecoregions or landscapes where the greatest return can be obtained for dollars invested.

Thanks in advance for taking the time to read this. Please do not hesitate to call if you have questions or comments.

Sincerely yours,



Gyles W. Randall
Soil Scientist and Professor

GWR: awb

Enclosure

cc: Senator Wellstone
Congressman Gutknecht
Congressman Kennedy

PRESENT-DAY AGRICULTURE IN SOUTHERN
MINNESOTA - - IS IT SUSTAINABLE?

Gyles W. Randall
Soil Scientist and Professor
Southern Research and Outreach Center
University of Minnesota
Waseca, MN 56093-4521
PHONE: 1-507-835-3620
FAX: 1-507-835-3622
grandall@soils.umn.edu

The makeup of the agricultural enterprise in southern Minnesota has changed greatly in the last 30 years. A dramatic shift from a mixed cropping system of corn, alfalfa, small grains, soybeans, and pastures accompanied by many smaller dairy herds to a simple corn and soybean cropping system with fewer small livestock enterprises has occurred and is of great concern. According to Minnesota Department of Agriculture Statistics, corn and soybeans occupied 80% of the crop acreage in the 9-county southeastern Minnesota area in 1999 compared to 64% in 1975. In the 6-county area closer to the Mississippi River (Fillmore, Goodhue, Houston, Olmsted, Wabasha, and Winona counties), marked by many steep, highly erosive soils, corn and soybean acreage has risen from 55% in 1975 to 72% in 1999. Soybean acreage in Houston and Wabasha counties has increased from 4,000 and 12,000 acres, respectively, in 1975 to 26,000 and 35,000 acres in 1999. Most of the shift to soybeans has been at the expense of large reductions in alfalfa, pastures, and small grains. Corn and soybean acreage in the 11-county area in south central Minnesota has increased from 87% in 1975 to 96% in 1999 primarily because of increasing soybean acreage.

The shift to greater soybean acreage in southern Minnesota has been accompanied by: (1) fewer and larger farm operations, (2) fewer livestock farms, (3) more pest problems, i.e., soybean cyst nematode, white mold disease, soybean aphid, and weed population shifts, (4) increased iron chlorosis pressure in south central and western Minnesota, (5) price challenges, and (6) increased soil erosion. In my travels throughout south central and southeastern Minnesota, I have never seen as much erosion as in the last few years. Yes, we've had some intense rainfall events, but we've also converted the landscape to a crop production system that is extremely susceptible to soil erosion. In my 30 years as a University of Minnesota soil scientist at Waseca, I've never heard so much concern registered over the tremendous amount of erosion as in the last two years - - from urban people as well as farmers.

The concerns and observations outlined above lead me to ask the question "*Is the corn-soybean crop production system as we know it today sustainable?*" I question whether present day agriculture in southern Minnesota is sustainable from economic, environmental, ecological, and sociological perspectives. If it is not sustainable, how can U.S. farm policy create a more sustainable agricultural system in this part of the Corn Belt? The following discussion will address sustainability.

Economics is a primary determinant as to whether an agricultural production system is sustainable -- to the producer, the agricultural infrastructure, and the surrounding community. Global competition, primarily from Argentina, Brazil, and China will put extreme pressure on the U.S. corn and soybean market. Visitors to Brazil indicate that there are upwards of 200 million acres of relatively flat land outside of the Amazon River Basin available to be cleared for crop production. This is more than the total acreage of corn and soybeans in the U.S. (about 140 M acres). Low prices for corn and soybeans have prevailed the last two years. Federal assistance in the way of loan deficiency payments (LDPs) has been the primary source of profit for most corn and soybean producers. Some have said that without them we would have witnessed the largest bankruptcy ever in American agriculture. Unfortunately, LDPs have stimulated all-out field edge to field edge production because the farmer is rewarded based on the number of bushels produced. Although economically good for the producer, this government policy has come at the expense of soil and water resource stewardship and has created severe long-term consequences. (More on that later.) Additionally, farmers are always looking for higher yielding hybrids and varieties. Higher yielding genetic material has been delivered consistently over time by private industry and land grant Universities through sophisticated research with emphasis on biotechnology and molecular approaches in recent years. Thus, the current agricultural research system is designed primarily to produce greater yields, which can easily lead to over-production in relationship to demand, and consequently, poorer prices. Coupled with global competition and the likelihood of the American taxpayer questioning government payments (LDPs) to produce products they perceive as not terribly essential to food purchased in grocery stores and restaurants, the economic picture of corn and soybean production as we presently know it becomes rather bleak.

Environmental factors have become more prominent in recent years when determining the sustainability of crop production systems. Soil erosion is a key environmental factor. Soybeans have been recognized for years as a crop that is highly susceptible to soil erosion losses. These losses are due to: (1) little crop growth and hence little soil surface protection from intense rainfall prior to mid-July in Minnesota, especially when planted in 15" or wider rows, (2) small amounts of evapotranspiration (water usage) prior to mid-July, which leads to greater runoff of spring rainfall, (3) small amounts of plant residue remaining on the soil surface after harvest, giving inadequate protection from water erosion late in the fall and in the spring before establishment of the next crop, and (4) the erosivity of soils is increased by soybeans due to their effect on soil tilth and structure.

Conservation tillage practices have been adopted throughout southern Minnesota in the last 30 years with the purpose of leaving plant residue on the soil to reduce soil erosion. However, little residue coverage exists with soybeans, and erosion has become excessive, especially in southeastern Minnesota. The impact of raindrops on bare soil dislodges soil particles resulting in silt and clay-sized particles being carried away in runoff to streams and rivers. Gullies are often formed in the erosion process -- some so large that they need to be avoided by harvest equipment and/or filled in by tillage equipment before they can be crossed.

Alfalfa, pastures, and other grass perennial cropping systems such as those planted in the Conservation Reserve Program (CRP) protect against soil erosion in various ways. First,

the vegetation intercepts rainfall and its energy preventing the raindrop from directly hitting the soil surface and dislodging soil particles. Second, these crops transpire more water in the spring than do corn or soybeans, thereby creating additional room for storage of rainfall in the soil. Third, the very fibrous root system holds the soil particles in place. These factors substantially buffer the landscape against the rapid runoff of water and soil erosion compared to row crops (soybeans and corn) especially in the spring. As a result, flooding and high peak flows are minimized in landscapes occupied by these perennial crops compared to row crops. I would argue that much of the flash flooding in southeastern and southcentral Minnesota in recent years has been the result of the shift to more soybeans at the expense of alfalfa, grass pastures, and other grass cropping systems.

Coupled with the shift to the corn-soybean rotation has been the growth in farm size. This has been accompanied by larger machinery to service the expanded acreage in a timely manner. Unfortunately, soil conservation practices such as grassed waterways, narrow contour strips, terraces, etc. are viewed too often as not being compatible with larger machinery. Consequently, the soil conservation practices are either removed from the landscape, or they are managed in a manner that does not protect against soil erosion. My observations in southeastern and southcentral Minnesota indicate that grassed waterways are being utilized very poorly in the prevention of soil erosion. For some reason I do not understand, these practices, particularly grassed waterways and terraces, seem to be much better utilized and even part of the culture of many northern Iowa farmers.

Rampant erosion and periodic flash flooding occurring in southern Minnesota does not lead to sustainable agriculture. The darker colored, most productive surface soils are being eroded away, exposing the less fertile and productive subsoils. The best soils are being deposited in flood plains and rivers, causing serious off-site siltation problems and economic consequences. Meanwhile, crop production in portions of the landscape will undoubtedly suffer and economic vitality will decline.

Nitrate-nitrogen loss from cropping systems to ground and surface waters is also an environmental indicator of sustainability. Nitrate is a form of nitrogen that is very mobile in the soil. Rainfall in excess of evapotranspiration can leach nitrate through the soil profile and into groundwater aquifers in southeastern Minnesota and into subsurface tile drainage in much of south central Minnesota.

Nitrates in the subsurface drainage from highly productive corn and soybean acreage in the Corn Belt are delivered to the Mississippi River and then deposited in the Gulf of Mexico where they are suspected as being the primary factor causing the oxygen-limiting conditions (hypoxia) in the Gulf of Mexico. The corn and soybean cropping system has been shown to be a very leaky system with respect to nitrates. University of Minnesota studies at Lamberton found nitrate-N losses in tile drainage water from corn and soybean row crop systems to be 30 to 50X greater than from perennial alfalfa and CRP grass/alfalfa systems. This was due to both more water per acre being drained from the row crops and higher concentrations of nitrate-N in that water compared to the perennial crops. Thus, row crops affect both the quality and the quantity of water leaving the landscape in subsurface tile drainage.

In summary, the sustainability of the corn-soybean rotation from an environmental perspective is questioned because of a) greater soil erosion, b) greater and more flashy loss of runoff water (surface and subsurface) compared to cropping systems containing alfalfa and grass perennials, and c) greater loss of nitrate-N to ground and surface waters.

Ecological factors also need to be considered when evaluating sustainability. Plant diversity on the landscape is an indicator that ecologists look to with favor. Increased plant diversity generally means improved habitat to support a wider variety of insects, birds, and animals. Greater numbers and diversity of "wildlife" is generally considered highly favorable in a rural ecosystem and presents an aesthetically pleasing quality, which is gaining appreciable value in American society. The corn-soybean rotation cropping system as currently practiced provides very little opportunity for animal and plant diversity on the landscape.

Transportation of the raw product, i.e., corn and soybeans, down the Mississippi River to New Orleans for overseas shipment also presents an ecological challenge. To economically and efficiently transport corn and soybeans to the Gulf on barges, the lock and dam system on the Mississippi River needs to be reconstructed. Arguments being made daily by the agricultural community claim the Mississippi River needs to be upgraded to accommodate the barge traffic needed for grain shipment. On the other hand, other segments of our society are saying "NO" to these attempts. The Army Corps of Engineers found this to be true this last year as their attempts to reconstruct portions of the River transportation system were denied by the judicial branch. My guess is that corn and soybean agriculture will not win in this ecological debate.

Sociological impacts are also seen as side effects of present day, corn and soybean agriculture. As farms get larger to support profitability in corn and soybean production systems, we see fewer farms and farm families. Rural populations decrease and with that, we see a decline of the rural community. Student numbers in schools and church membership are shrinking. Consolidation and merging are necessary and are becoming the norm. Main streets are becoming deserted as the number of businesses decline. Few local rural youth remain in the rural community after high school graduation. Producers often bypass the local community as inputs needed for the corn-soybean rotation are purchased at larger regional outlets, where prices are cheaper due to large volume purchases. As more production contracts are developed between the agribusiness sector and the farmer, the farmer will gradually assume the role of the "custom operator" or 'indentured servant' and he/she will not have the management freedoms previously enjoyed. These trends likely will continue regardless of the cropping system being grown, but the corn-soybean rotation has speeded the process.

Based on the arguments and observations presented in the above discussion, the present-day corn and soybean production system with little livestock in the enterprise does not appear to be sustainable. Substantial changes in federal farm policy, cropping systems, and usage of crops produced on the farm will need to occur in order to sustain a healthy environment and rural community.



Statement for the Record

of the

Children's Defense Fund - Minnesota

Committee on Agriculture, Nutrition and Forestry
Chairman Tom Harkin
United States Senate

**Hearing on the Farm Bill:
Comments on the Food Stamp Program**

August 20, 2001

Presented by:
Jim Koppel
Executive Director
Children's Defense Fund - Minnesota
e-mail: koppel@cdf-mn.org

Thank you for the opportunity to submit written testimony on a subject of great importance to children: the federal Food Stamp program. In 1999, more than nine million children received food stamps, or 13 percent of all American children. Few federal programs reach a greater proportion of children. With reauthorization of the Food Stamp law scheduled for FY 2002, we appreciate that the Senate Agriculture, Nutrition and Forestry Committee has recognized the importance of the Food Stamp program in its overview hearing on the farm bill and look forward to the Committee's continuing work on Food Stamp reauthorization.

The Children's Defense Fund – Minnesota is a private, nonprofit advocacy organization whose mission is to Leave No Child Behind®. We receive no government funds. CDF-MN provides a strong, effective voice for all the children of America who cannot vote, lobby, or speak for themselves.

The Food Stamp program provides vital help for low-income children and their families, help that makes a real difference in their lives. In an analysis of surveys conducted at shelters, food pantries, and other community agencies as part of the Children's Defense Fund's Community Monitoring Project, almost 30 percent of low-income parents who had jobs but did not receive food stamps reported problems buying food for their families. In contrast, 20 percent of working parents who did receive food stamps reported similar food hardships.¹ It is troubling to report that as many as one-fifth of the working families in this survey had difficulty affording food even with food stamps, but the proportion experiencing hardship without food stamps is much greater. There is room for improvement in the Food Stamp program, but it offers demonstrable help, and efforts to change it should not tamper with the basic entitlement structure. All eligible children must be able to count on uniform access to food stamps, no matter where they live.

For children, the stakes are high. A study published in the July 2001 issue of the journal *Pediatrics* found that children age 6 to 11 years who lived in families that reported that they sometimes or often did not get enough food to eat had significantly lower arithmetic scores and were more likely to have repeated a grade, to have seen a psychologist, and to have had difficulty getting along with other children. Teenagers in households without enough food were more likely to have been suspended in school and to have experienced other behavioral problems similar to the younger group.² We must not shortchange children's life chances by denying them adequate nutrition.

When the welfare law was enacted in 1996, there was general agreement that food stamps should remain available as part of the nation's safety net. The last five years have shown that the food stamp safety net is more fragile than originally recognized and needs strengthening so that families struggling to move from welfare to work can count on food stamps when their earnings are too low to afford necessities for their children.

Title VI of the Act to Leave No Child Behind (H.R. 1990 and S. 940) includes provisions we believe will improve upon the Food Stamp program's capacity to serve low-income working families with children. These provisions have been designed in response to problems that have emerged most clearly in the aftermath of the 1996 welfare law, the Personal Responsibility and Work Opportunity Reconciliation Act. The provisions are aimed at (1) preventing hunger among families with children, and (2) making it easier for eligible working families to receive food stamps.

Preventing Hunger Among Children

Food stamps received in adequate amounts prevent hunger. Improving the effectiveness of food stamps as an anti-hunger program requires expanded eligibility, to reach more low-income children, and increased benefit levels, to ensure that food stamp recipients can afford nutritious food. Title VI of the Act to Leave No Child Behind includes provisions that expand eligibility by restoring benefits to legal immigrants and increase benefit amounts by more accurate assessments of families' ability to afford food.

Restoration of eligibility for legal immigrants: Between 1996 and 1999, the number of households with noncitizens receiving food stamps dropped by two-thirds, a period during which the overall food stamp caseload decline was 27.3 percent. The decline in food stamp use by citizen children with legal permanent resident parents was similarly precipitous – from 63 percent to 38 percent since the 1996 welfare law's enactment, according to Mathematica Policy Research Inc.³ A California study conducted shortly after the 1996 welfare law's enactment found that immigrant families were experiencing moderate to severe hunger at rates four times higher than the low-income population as a whole.⁴

The evidence is clear that the loss of food stamp benefits by low-income legal immigrants has resulted in serious hardship. Congress made a step towards restoring benefits for children in 1998 by reinstating food stamps for legal immigrant children who arrived in the U.S. prior to the welfare law's enactment. But this is not enough. Without full restoration for adults and children, even completely eligible citizen children in immigrant households will continue to forego benefits because of the denial's chilling

effect on immigrant families. People here legally should not go hungry, regardless of citizenship status.

Under Title VI of the Act to Leave No Child Behind, benefits would be restored to otherwise qualified legal immigrants who were denied food stamps under the 1996 welfare law. Now, food stamps are denied to legal immigrant children who arrived in the U.S. after the 1996 law was enacted (August 22, 1996). Their legal immigrant parents are ineligible for food stamps regardless of when they entered the country until they become citizens. These and other excluded immigrants here legally would once more be eligible for food stamps. Title VI of the Act to Leave No Child Behind provides as under prior law that the income of sponsors that helped bring immigrants to the U.S. may be counted (deemed) for three years in determining eligibility for food stamps. These same provisions are included in the Nutrition Assistance for Working Families and Seniors Act (S. 583 and H.R. 2142).

Making food stamps more accurately reflect a family's ability to pay for food: Under current food stamp law, in calculating eligibility and benefit levels, there is a standard deduction of \$134 a month from a household's income. This amount has been frozen since 1995. This deduction should be updated according to the modest principle that families with incomes of less than 10 percent of the federal poverty line should receive the maximum food stamp benefit. The Act to Leave No Child Behind and the Nutrition Assistance for Working Families and Seniors Act provide for a gradual phasing-in of increases in the standard deduction for inflation and for family size.

The Act to Leave No Child Behind also removes the current cap on the excess shelter cost deduction available to families with children (and other households not containing elderly members). There is no cap on this deduction for households with elderly members; there is no justification for applying a cap to other households. In 1999, 68 percent of poor renters were paying more than half their income on rent and/or were living in severely substandard or overcrowded conditions (the definition of "worst case housing needs" by HUD). Even among families with children with incomes a little above poverty, fully 42 percent experienced worst case housing needs. The rapid increase in heating costs has added to the pressure on low-income households. To the extent that they need more than half their income for housing costs, there is less money available to pay for food. This choice was documented most starkly in a study done some years ago at the Boston Medical Center (then Boston City Hospital). Researchers found that the number of failure to thrive babies (lower than expected development) increased in the winter months, because poor families were forced to reduce expenditures

on food in order to pay for heat. Removing the cap on the deduction for excess shelter costs recognizes and alleviates these pressures on low-income families.

Encouraging the collection of child support: The Act to Leave No Child Behind applies the current 20 percent earned income deduction to child support income. For many single-parent families trying to escape welfare and poverty, the only effective strategy is to create an income package that includes earnings, child support, and other work supports including an adequate level of food stamp benefits. Treating child support income similarly to earned income for purposes of calculating food stamp benefits recognizes the importance of child support as part of a family's income package. If there were a deduction for child support income, there would be an additional incentive for noncustodial parents to pay support, because it would result in their children receiving more food stamps.

Better Service for Working Families

Nearly eight out of ten poor children (78 percent) lived in a family where someone worked in 1999, up from 61 percent in 1993. Yet the Food Stamp program has for a long time failed to serve working low-income families adequately. With the pool of families eligible for food stamps including more who work and fewer with only welfare income, fewer eligible families are receiving food stamps. In 1999, only 71.5 out of every 100 poor children received food stamps, down from 88 in 1995.⁵

Low-wage-earners often have fluctuating income, and states fear that failure to catch changes in earnings may lead to an increased error rate. As a consequence, many states require frequent office visits to verify eligibility. These visits can take several hours, simply too much time for many working parents to take away from their jobs. The Center on Budget and Policy Priorities has noted that food stamp participation rates dropped from 74 percent to 55 percent in the 11 states that most increased their use of short (quarterly) certification periods. In states that did not require such frequent recertifications, the participation rates did not drop so steeply.

The Food Stamp program has to adapt to serve the needs of low-income working families. This means eased verification requirements, with fewer office visits and greater use of phone, mail, or on-line verification. The Act encourages this by ending the current practice of requiring families essentially to reapply for benefits after a specified period (called "recertification"), and instead calls for the food stamp agency to conduct a review at periodic intervals of the household's circumstances. This "redetermination" of the household's circumstances requires the household to cooperate, but does not require as

extensive documentation and paperwork as would be needed for recertification. The use of redetermination procedures is consistent with the approach taken in Medicaid, the Child Health Insurance Program (CHIP), Supplemental Security Income (SSI) and other means-tested programs.

In order for eased verification procedures to be accepted by states, the incentive structure of the Food Stamp program must also be changed. The current Quality Control system penalizes states with overpayments to families, but offers no rewards to states that serve a high proportion of their eligible families. It is not surprising that states would often rather apply onerous procedures that have the effect of forcing eligible families off the food stamp caseload than risk errors that will result in federal penalties.

The Act to Leave No Child Behind encourages states to serve working families by changing the Quality Control penalty structure so that it is focused on serious long-term payment accuracy problems, rather than the current practice of penalizing all states with errors above the national average. When penalties are assessed to all states above the national average, states cannot base their performance on an objective standard. If other states improve their performance, an error rate that might have been acceptable in prior years may now incur a penalty. Instead, the Act to Leave No Child Behind calls for USDA investigations of states with serious errors for two years in a row. The state may be penalized by an up to 5 percent cut in administrative funding at this time, or, at the discretion of USDA, may be given time to correct the deficiencies. If the error rate persists for a third year, penalties will be automatic, varying by the severity of the problem.

The Act's food stamp provisions also place into law the current administrative policy of adjusting a state's error rate to take into account high participation by error-prone groups such as working-poor or immigrant families. States are thus rewarded for making the effort to help families with more complicated cases.

All of the above changes allow states to simplify their food stamp application and renewal procedures. In addition, the Act to Leave No Child Behind further simplifies income calculations under the Food Stamp program by conforming its income definitions to Medicaid and by allowing states the option of conforming food stamps to their TANF income definitions. These provisions allow states to consolidate application forms and simplify computer systems, which would increase the likelihood that families applying for one of these programs will be helped to apply for all three if eligible, and would free up state resources to provide better services.

The Act further changes the incentives for states in the Food Stamp program by rewarding good performance on three measures: (1) the rate that denials or terminations of food stamp benefits are correct; (2) the extent to which states meet the statutory deadlines of seven days for issuing expedited food stamps to families with urgent need or 30 days for other families; and (3) the participation rate among working families. The Act would provide \$30 million in bonus payments to the five states with the highest rankings on each of these measures, and to the five states with the most improvement.

If penalties are restricted to states with persistent and severe payment problems, states are given credit for serving working and immigrant families in the penalty formula, and are rewarded for good performance, incentives will shift markedly for states to encourage improved participation by low-income working families.

When families stop receiving cash assistance, they often also lose food stamps, even though their income continues to be low enough that they almost certainly remain eligible. According to the Urban Institute's 1997 Survey of America's Families, only about half of former welfare recipient families with incomes below *half* the poverty line were receiving food stamps.⁶ To ensure that eligible low-income families do not wrongly lose food stamp benefits as they leave cash assistance, the Act to Leave No Child Behind includes a six-month transitional food stamp benefit as a state option. This provision, also supported by the American Public Human Services Association (APHSA) and included in the Nutrition Assistance for Working Families and Seniors Act (H.R. 583 and S. 2142), prevents newly-employed parents from risking their jobs by having to take time off to verify their continued eligibility.

Taken together, eased access to food stamps for low-income working families through simplified applications and renewals, restored eligibility for legal immigrants, and updated benefits more in line with families' ability to pay for food will all have the effect of reducing hunger and food hardships among children in America. As Congress considers food stamp reauthorization, it should strengthen the program by aligning its eligibility criteria, application procedures, and state incentives so that the program is more effective in reaching all low-income families with children, the majority of whom are working families.

Endnotes

¹ Children's Defense Fund, *Families Struggling to Make it in the Workforce: A Post Welfare Report*, (Washington, D.C.: Children's Defense Fund, 2000). Available on the internet at <http://www.childrensdefense.org>

² Katherine Alaimo, Christine Olson, and Edward Frongillo, "Food Insufficiency and American School-Aged Children's Cognitive, Academic, and Psychosocial Development," *Pediatrics* 108, no. 1 (July 2001): 44-53.

³ James Ohls, Testimony before the Committee on Agriculture, Subcommittee on Department Operations, Oversight, Nutrition, and Forestry (Washington, D.C.: Mathematica Policy Research, Inc., June 27, 2001).

⁴ California Food Security Monitoring Project and California Food Policy Advocates, "Impact of Legal Immigrant Food Stamp Cuts in Los Angeles and San Francisco" (San Francisco, Calif.: California Food Policy Advocates, May 1998).

⁵ Wendell Primus, "What Do We Know About Welfare Reform and Where Do We Go From Here?" presentation before the Coalition on Human Needs (Washington, D.C.: Center on Budget and Policy Priorities, January 2001).

⁶ Sheila R. Zedlewski and Sarah Brauner, "Are the Steep Declines in Food Stamp Participation Linked to Falling Welfare Caseloads?" (Washington, D.C.: the Urban Institute, 1999). Available on the internet at http://newfederalism.urban.org/html/series_b/b3/anf_b3.html#n1